



RUSSELL GROUP

Spending Review 2025

Delivering growth and opportunity across the UK through research, innovation and high-level skills

Overview

The UK's tough fiscal situation means the government faces difficult choices at this Spending Review (SR). Maximising the value the UK's assets deliver – including its world-leading universities and researchers – will be crucial to driving growth, improving public services and raising living standards. This document sets out our recommendations to government for targeted growth-focused investment and other policies to harness the potential of research-intensive universities to change lives, create wealth and make every part of the UK better off.

For our part, Russell Group universities will:

- **Utilise our research, innovation and skills as engines for growth**, transforming UK towns and cities, creating clusters of high-value activity and boosting regional development.
- **Help break down the barriers to opportunity** by addressing educational inequality and ensuring provision delivers best value for students and meets UK skills needs.
- **Act as key delivery partners for the Industrial Strategy**, working with business of all sizes to support growth across priority industrial sectors.
- **Support efforts to build an NHS fit for the future**, training the future workforce and providing a pipeline of innovations to deliver better outcomes for patients.
- **Champion UK prosperity whilst helping to safeguard national security**, working with government and the security services to protect research from hostile actors, secure UK advantage in key technology areas and boost exports.

1. Research and innovation as engines for economic growth

Driving innovation is a key pillar of the government's growth strategy, and continued support for research breakthroughs which advance healthcare, tackle climate change and rejuvenate business and the public sector will be crucial to transforming the UK's economy. **Public R&D has a significant impact on growth and productivity:** for every £1 of public funds invested in research at Russell Group universities, more than £8.50 is generated for the UK economy. Our universities' research and commercialisation activities deliver almost £38bn for the economy every year, while new insights from the NCUB show £1 of public R&D investment stimulates between £3.09 to £4.02 of private R&D investment in the long term.

It is good to see R&D is now clearly recognised as a crucial economic investment underpinning growth and prosperity, and public funding has seen a very welcome increase in recent years, but the UK still lags behind competitors on public investment in R&D as a proportion of GDP.

Given the wide-ranging benefits, the UK should be more ambitious and aspire to become a leading G7 nation for R&D intensity. This would generate a raft of new scientific discoveries, novel technologies, knowledge and other insights that will help to drive growth right across the country. It would have a direct and positive impact on individuals – for example in helping to improve health outcomes and creating high value jobs – as well as securing the UK’s international competitiveness, especially in discovery research. Even more importantly, it would help to create the talent and skills pipeline the UK needs for a thriving innovation-led economy and society.

As a core part of our research and innovation ecosystem, UK universities are increasingly having to invest their own funds in research to cover significant shortfalls in public investment. The figure stands at more than £5.3bn a year – a level that is unsustainable given other cost pressures. Two of the critical challenges universities face are that QR funding has seen a 16% drop in real-terms value since 2010/11 and the cost recovery rate on publicly funded research projects has dropped from around 75% in 2015/16 to just 69% on average in 2022/23.

To realise the benefits of R&D and create a more sustainable and resilient funding system, we recommend the government:

- **Continues to grow R&D investment for the UK, including in discovery research. This will be crucial to creating new industries, leveraging private investment and delivering high-value jobs across the country.** In addition, close engagement with the government’s mission boards, including on growth and opportunity, would ensure research-intensive universities’ contribution is fully integrated into the government’s plans.
- **Sets a spending profile for the UK’s research intensity to reach 3.25% by 2029/30,** which would see the UK overtaking Germany (on current projections), reaching and remaining in the top three G7 nations for R&D intensity. **This would leverage over £10bn extra private investment per year by 2029/30.**
- **Addresses the decline in value of QR and equivalent funding across the UK’s nations,** and links future funding to inflation to prevent its value eroding over time. This will enable universities to deliver long-term strategic projects, pursue high-risk, high-reward research, and ensure the UK’s research base remains agile and responsive.
- **Improves the cost recovery rates of research** to help deliver a financially sustainable research system.

2. Breaking down barriers to opportunity

The number of young students from the most under-represented areas studying at Russell Group universities is growing, with a 56% increase since 2019. Our universities have set ambitious targets to improve access even further and are working towards eliminating gaps in continuation, progression and degree attainment. However, rising living costs are impacting every aspect of students’ lives and experience at university and students who are already disadvantaged are some of those being hit the hardest. Universities have stepped up financial assistance, but **additional government support is needed to help ease the growing financial pressures on students.**

Highly skilled graduates and postgraduates will form the bedrock of a resilient workforce.

Demand for those educated beyond a bachelor’s degree is predicted to increase by 53% between 2023 and 2035, the biggest increase for any qualification level. We will continue to work with UKRI and industry to secure a pipeline of research talent. Universities are also keen to work with Skills England, employers and FE colleges to identify high-value courses, responding to industry needs, that could be funded by a flexible Growth and Skills Levy.

However, the OfS has warned that as many as 70% of England's universities could run a budget deficit in 2025/26 without significant mitigating action. Universities across the country, including those in the Russell Group, are already working hard to implement efficiencies that will streamline operations and reduce costs, but this effort needs to be matched by additional public investment.

We recommend the government:

- Helps to ease the growing financial pressures on students by **improving the maximum maintenance support overall and reintroducing maintenance grants for the most disadvantaged students.**
- Supports high-level skills by **significantly enhancing the funding package for the PhD training** needed to meet the UK's research ambitions and **continuing to support higher-level apprenticeships** that deliver productivity gains for the UK.
- Supports the financial resilience of the sector, including **allowing tuition fee caps to increase with inflation, along with other measures that increase per student funding for teaching, such as through the Strategic Priorities Grant.**

3. Research-intensive universities as key partners in delivering Industrial Strategy

The government has set out a vision for a decade of national renewal, with a new Industrial Strategy at the heart of its growth mission. **Partnership between research-intensive universities, business, the public sector, central, local and devolved government must be central to the design and delivery of this strategy.** Only universities can bring together science, technology, design and social science approaches to tackle complex industrial challenges from all angles – this includes the regulatory, financial and other innovations in approach that will be needed to deliver success.

Making innovation and skills central to local and regional development policy – and bringing universities into the heart of this – will be crucial to supporting high-potential clusters around the UK and tackling stubborn regional and national disparities in productivity. The government can play a key coordinating role in maximising opportunities for innovation-led growth and should also consider opportunities to provide infrastructure funding for specialist facilities and scale-up space where these are most needed.

The UK's research-intensive universities are already among the best in the world at commercialising their research. Much of this success has been underpinned by schemes such as the Higher Education Innovation Fund (HEIF) which fosters university-business collaborations, licensing and support for high-growth spinouts. New evidence suggests large research-intensive universities deliver as much as £20 in economic impact for every £1 invested in HEIF. However, the UK still lacks access to the scale of proof of concept, early-stage and scale-up funding needed to make the most of our research and innovation potential.

To harness the full capabilities of the UK's research-intensive universities, we recommend government:

- Helps universities increase their capacity to engage with businesses and drive innovation and productivity by **significantly uplifting HEIF**, which has a proven return on investment and could easily be scaled up with additional funding.
- Creates a **new 'Spark Fund'** to bridge the early-stage funding gap that is limiting the number of university spinouts available for private investment.
- Creates an **inclusive Industrial Strategy for the whole UK.** This should encourage and support universities to contribute to local growth plans and wider regional economic strategies regardless of the devolved structures in their areas. Government can also help share best practice and boost capacity building across the regions and nations.

4. Building an NHS fit for the future

Research and innovation can make the NHS more sustainable, helping to deliver **cutting-edge health and social care innovation**. We should aspire to be the country of choice for clinical trials, open up digital health records, and build on pioneering work in genetics, AI-driven diagnostics, and advanced robotics to transform patient services with earlier diagnosis and better treatments.

Working with partners across the UK, Russell Group universities play a vital role in supporting local and national NHS recruitment, retention and research capacity. Our universities train 3 out of 4 doctors and dentists, over 17,000 nurses and midwives per year and employ more than 4,200 (FTE) clinical academics. Given the current workforce challenges our healthcare system faces, a strategic approach from government is required to ensure training expansion is properly planned and accounts for costs, clinical placement capacity and regional demand.

We recommend the government:

- **Sets an ambition for our NHS to become the world's leading health and life sciences research platform** – working with universities to make research a core part of its function.
- **Sets funding milestones necessary for expanding training capacity through the 10-year Health Plan**. This would provide certainty for universities to invest in expanding provision along with the clinical academic workforce needed to underpin medical research and teaching.

5. Strong foundations – championing UK prosperity whilst safeguarding national security

UK universities have developed strong networks and partnerships around the world. The government can work with universities to harness these to attract further overseas investment into the UK. Higher education is also a major export activity in its own right, generating nearly £22bn in export income a year.

We welcome government's recent positive messaging in support of international students. International students bring skills, experience, cultural and social benefits – as well as significant economic benefits – to all the UK nations and regions. However, changes to immigration rules introduced by the previous government, alongside other global factors, have driven international student numbers down significantly. **It is vital government supports universities to maximise global activities that drive UK economic growth.**

It should remain a priority to **strengthen our partnerships in Europe and beyond**. R&D and university partnerships will be central to a refreshed UK-EU trade and investment relationship. UK universities are making strong progress in individual applications to Horizon Europe, winning grants supporting the development of genuinely transformative technologies in high-growth industrial strategy sectors such as cleantech, life sciences, AI and quantum.

International collaboration and the recruitment of talented international researchers maximises the impact of our universities' research. Yet we also recognise that the strength of our research in strategically important fields makes the UK a target for hostile international actors. **Research security is a shared national responsibility**, and our universities work closely with government departments and the security services to identify and tackle hostile activity. However, more is needed to build on recent progress and respond quickly to emerging and dynamic threats.

We recommend the government:

- Ensures **the UK remains a leading destination for international talent** – which benefits domestic students, UK R&D and businesses. To do this it is vital the government offers

stable, affordable and internationally competitive visa routes, including retaining the Graduate Route as a priority.

- Makes an **early declaration of intent to associate to Framework Programme 10 (FP10) – Horizon Europe’s successor programme**. This would help secure and enhance relationships with EU partners and boost UK capabilities to attract talented researchers and innovators. This should include retaining fiscal headroom to associate to FP10 from 2028.
- Creates a **dedicated research security fund** to enable universities to build additional capacity and capability to protect national security and secure valuable overseas partnerships.