

Spring Budget 2024: CaSE submission to HM Treasury

1. Invest in research and innovation to drive economic growth and prosperity in the UK

The Government have long recognised that investing in research and innovation helps us solve the problems facing people in the UK, and across the world. This investment improves people's lives and livelihoods, creating new jobs and future industries, new educational opportunities, and the economic growth that will pay for our local and public services and strengthen our communities. The commitment to spend £20bn on research and development (R&D) in 2024-25 is very welcome.

The Government should continue to commit to ambitious, long-term, and sustainable investment in R&D.

A stable and predictable plan, supported by sustained investment, is vital to help research and innovation thrive in a way to drive economic growth and prosperity across the UK. Importantly, it gives businesses confidence to keep on investing in research and innovation. The Science and Technology Framework is an important piece of work, informed by the R&D community, that sets out how Government can achieve a step change in UK prosperity and wellbeing through science and technology. One of the best actions the Government can now take is to stick to the Framework, giving the research community and the private sector the stability – and predictability – it needs to invest in research and innovation. In a globally competitive research landscape, the UK must look to secure its place among leading science nations and aim to be a leading country on R&D investment.

Ensure sustainable investment in the Higher Education sector.

To become a science and technology superpower, the UK's universities must be at their best. In towns and cities across the UK, these institutions are the hub of local partnerships that are driving cutting-edge research.

To deliver their role effectively, universities must achieve a sustainable financial model across both their teaching and research activities. There has been recent focus on the financial pressures facing universities, and these could be exacerbated by the recent changes to immigration rules making foreign students less likely to come to the UK. Cross-subsidy of research from teaching budgets is common¹, especially from international student fees, and shortfalls in funds for teaching provision would likely affect the amount of money available for research. Universities must cover the shortfall in funding for research from elsewhere in their budget. For example, UKRI commit to providing 80% of the Full Economic Cost (FEC) of their research grants², but in 2021-22 this figure was 68.7%³. In 2014/15, on average UK universities received 76% of the full cost of research from funders, consequently UK universities invested £2.9bn to subsidise research activity in 2014/15 and £5bn in 2021/22⁴.

While an increased budget will allow UKRI to fund more research, paying these grants at the current proportion of FEC will only serve to increase the research deficit. All UKRI research should not necessarily be funded at 100% FEC, but there must be a strategy behind the chosen

¹ <https://www.hepi.ac.uk/wp-content/uploads/2017/11/HEPI-How-much-is-too-much-Report-100-FINAL.pdf>

² [Principles of full economic costing \(fEC\) – UKRI](#)

³ [annual-trac-2021-22-sector-summary-and-analysis.pdf \(officeforstudents.org.uk\)](#)

⁴ [university-business-model-explainer.pdf \(russellgroup.ac.uk\)](#)

FEC level that takes the deficit seriously. In response to the recommendation from Sir Paul Nurse that the Government needs to address this issue, "the Department for Science, Innovation and Technology, together with UKRI, the Department for Education, the devolved funding bodies, sector bodies including Universities UK and the Russell Group, and other funding groups such as the Association of Medical Research Charities, are reviewing the evidence and risks to research sustainability."⁵ This is a pressing issue and CaSE strongly recommends the Government comes forward with solutions at the earliest opportunity and engages closely with the sector.

Ensure any Horizon Europe underspend is made available to other R&D programmes, such as early career fellowships.

Grants available from the Academies are welcome in this regard. Long-term international partnerships, like Horizon Europe, help cement the UK's global leadership in innovation. Securing full participation to Horizon Europe is a positive step for the R&D sector and the wider UK and EU. The Government, alongside the European Commission and others in the sector, must now work hard to encourage applications and drive participation rates back up now association to Horizon Europe is agreed.

2. Continue to drive forward the Science Capability Review recommendations

CaSE was very supportive of the Science Capability Review when it was published in 2019⁶. It is also welcome that a progress report was published recently by the Government Office for Science that shows significant progress has been made towards its recommendations. This process should continue to be driven forward as it will see significant benefits across Government. There is a particular role for HM Treasury when it comes to the recommendations on Public Sector Research Establishments (PSREs), including around funding arrangements. As yet no progress has been made towards "the creation of a specific fund geared to the work of Public Laboratories, for which they can compete for funds for innovation activities to be conducted in partnership with business"⁷. We agree with the progress report that "there is still a need for more long-term planning in the investment of the capabilities, infrastructure, and assets within Public Laboratories, with high variability across departments" and HMT should enable this by supporting departments and making funds available for investment in PSREs.

3. Unlock skills for a more R&D-led economy

Developing and supporting the R&D skills base will be essential to deliver the UK's science and technology ambitions. The People and Culture Strategy estimated that the R&D sector will need at least an additional 150,000 researchers and technicians by 2030 to sustain the UK's ambitions for R&D⁸. The Government must support and coordinate a more integrated skills system and should set out a clear plan for people and skills that aligns with its priorities for science and technology.

⁵ [Independent review of the research, development and innovation \(RDI\) organisational landscape: review recommendations and government action \(Annex, November 2023\) - GOV.UK \(www.gov.uk\)](#)

⁶ [GO Science review of Government Science Capability - CaSE \(sciencecampaign.org.uk\)](#)

⁷ [A review of Government Science Capability: progress update \(9 January 2024\) - GOV.UK \(www.gov.uk\)](#)

⁸ <https://www.gov.uk/government/publications/research-and-development-rd-people-and-culture-strategy>

The Government must ensure that the immigration and visa system, and associated costs, do not act as a barrier to attracting international talent to the UK.

Last year, the Government announced a major increase to immigration visa fees as well as the Immigration Health Surcharge, a move that will make it more expensive for skilled workers to come to the UK and will impact the ability of R&D-led businesses to scale and grow. Restrictions on family members accompanying students to the UK and the rise in the pay threshold for skilled worker visas are also likely to negatively impact on international student recruitment, furthering financial pressures on the higher education sector.

4. Leverage business investment in research and innovation

While we have seen welcome increases in public sector commitments to invest in R&D, ensuring private sector investment continues to rise will be vital to achieving any UK R&D targets, and to support the wider growth and productivity of the UK. In a globally competitive climate, the UK must provide an attractive and competitive environment if it wants businesses to invest more in research and innovation.

The Government should make the UK an attractive and competitive environment for businesses to invest in research and innovation.

It is welcome to see that supporting business investment is an ongoing focus of the Government's priorities for research and innovation, including through the Innovation Strategy and the Science and Technology Framework. The implementation of the Mansion House reforms is a positive first step in supporting businesses. The Government must ensure it provides adequate support for businesses looking to scale up and support the successful implementation of R&D tax credits.

About CaSE

The Campaign for Science and Engineering (CaSE) is the UK's leading independent advocate for science and engineering. We represent over 115 scientific organisations including businesses, universities, professional bodies, and research charities as well as individual scientists and engineers. Collectively our members employ over 336,000 people in the UK, and our industry and charity members invest around £32.2bn a year globally in R&D.