

Autumn Statement 2023

Representation by: National Centre for
Universities and Business (NCUB)

Date: October 2023

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Introduction

1. The National Centre for Universities and Business (NCUB) is a network of business and university leaders united to achieve enduring growth through research, innovation and higher education.
2. Collaboration between universities and businesses builds individuals skills and talent, increases the absorptive capacity within organisations and facilitates innovations in products and services that deliver economic growth for the UK. Our long-term competitiveness is dependent on our capacity to innovate. The recommendations for existing or new policy contained within this representation to the Autumn Statement are informed by analysis undertaken by NCUB and our partners.
3. In summary, we recommend:
 - a. **Commitment to a strong research base:**
 - I. Sustainable funding support for fundamental research.
 - II. Clear action to define, communicate and support the development of absolute and comparative technological advantage in national priority areas.
 - III. A clear roadmap for the design and implementation of the merge of the two existing schemes providing tax relief for Research and Development (R&D).
 - b. **Action to improve regional, national and international competitiveness:**
 - I. Support for universities and businesses to engage with the opportunities created by our association to Horizon Europe.
 - II. Additional programmes that facilitate collaborations between international consortia of universities and businesses focused upon shared global challenges.
 - III. A coordinated foreign direct investment (FDI) into R&D strategy.
 - IV. Stable, long term regionally focussed research and innovation funding.
 - c. **A coordinated approach to build an inclusive, highly skilled, adaptable workforce:**
 - I. Renewed support for a national body that gathers labour market intelligence to inform education and skills policy.
 - II. Sponsor a task and finish group of public research funders to review current provision for mobility between academia and industry.
 - III. Ensure policy interventions taken in response to the 2019 Augar Review reflect the current social, economic and fiscal context and do not undermine individual ambition.
 - IV. Review of the deliverability of Lifelong Learning Entitlement (LLE).
 - V. Support universities to deliver degree apprenticeships in partnership with industry.

Response

Commitment to a strong research base

1. Research and innovation drives growth through the expansion and application of knowledge. Excellent research is undertaken by universities and businesses across the country. This depends on support from government in the form of direct funding for research activity and infrastructures, demand for innovative goods and services, support for skills and talent, enabling networks for collaboration and creating a 'pro-innovation' regulatory environment. The multi-year commitment to increase public funding for R&D made in the Autumn Budget and



National Centre for Universities and Business

DC. 115, The Clarence Centre
6 St George's Circus
London SE1 6FE

T +44 (0)20 7383 7667
E info@ncub.co.uk
W www.ncub.co.uk

Spending Review 2021 was a significant, positive step. Further action would be beneficial to ensure that the UK is able to leverage further investment from businesses following a period of instability exacerbated by the pandemic.

2. NCUB recommends:

- I. Sustainable funding support for fundamental research. Fundamental research typically undertaken in universities underpins applied research undertaken by business and provides opportunities for individuals to develop their knowledge and technical expertise. Recent increases in quality related (QR) funding are welcome. However, the financial sustainability of many universities research activity is dependent on cross-subsidy and so remains threatened. Action is needed to fully understand and address the challenges universities face in terms of their financial sustainability to ensure the UK's research expertise is undiminished¹.
- II. Clear action to define, communicate and support the development of absolute and comparative technological advantage in national priority areas. Over the past six years the Government has identified a range of semantically distinct, but practically overlapping, areas of national priority in which it would like the UK to achieve absolute or comparative advantage. Clarity from the Government on its priority technology areas and demonstrable long-term commitment to these provides an important signalling function to businesses and will be necessary to achieve additional progress².
- III. A clear roadmap for the design and implementation of the merger of the two existing schemes providing tax relief for R&D expenditure and reliefs for R&D-intensive small and medium enterprises (SMEs) proposed in the draft Finance Bill 2023-24. R&D tax reliefs encourage private investment and are valued by businesses. The proposal to merge the two existing schemes is welcome though it is vital any change is accompanied by a clear, well communicated roadmap to ensure awareness of, and compliance with, any change³.

Action to improve regional, national and international competitiveness

3. Research and innovation take place in across the UK, generating positive outcomes, including high-wage skilled employment, at local, regional and national levels. However, research capacity varies significantly across the UK. Recent policies including the refocussing of investment zones and, crucially, the UK's association to Horizon Europe are necessary complements to the breadth of publicly funded activity already underway. Further action is needed to support university-business collaboration locally and internationally and enable the UK to remain globally competitive.

4. NCUB recommends:

- I. Support for universities and businesses to engage with the opportunities created by our association to Horizon Europe. Long term uncertainty over association has disincentivised collaboration with the UK and has impacted some UK institutions capacity to apply for funding. Patience and support, including target communications activity, is needed.
- II. Additional programmes that facilitate collaborations between international consortia of universities and businesses focused upon shared global challenges⁴.

¹ Further detail and supporting analysis contained in: <https://www.ncub.co.uk/wp-content/uploads/2020/11/NCUB-RD-Taskforce-Report-2020-Final.pdf>

² Further detail and supporting analysis contained in: <https://www.ncub.co.uk/wp-content/uploads/2020/11/NCUB-RD-Taskforce-Report-2020-Final.pdf>

³ Further detail and supporting analysis contained in: <https://www.ncub.co.uk/wp-content/uploads/2023/10/RD-tax-credits-consultation-response-HoL-inquiry-Oct-2023-v4.pdf>

⁴ Further detail and supporting analysis contained in: https://www.ox.ac.uk/sites/files/oxford/media_wysiwyg/Oxford%20Summit%20report.accessible.pdf



- III. A coordinated FDI into R&D strategy. International investment is vital to UK research and innovation. However, the UK does not always act like a competitor. A coordinated strategy developed in partnership with national, regional and local actors⁵ to attract international investment is necessary. This should include additional support to facilitate the provision of data and targeted assistance to those within research-intensive businesses to win additional inward investment into the UK in the short term.⁶
- IV. Stable, long term regionally focussed research and innovation funding. The cessation of European Regional Development Fund (ERDF) funding has impacted national and regional research and innovation capacity across the UK. Interventions including the newly announced Regional Innovation Fund⁷ and the nascent Innovation Zones⁸ are welcome but further action may be needed to ensure long term stability and growth.

A coordinated approach to build an inclusive, highly skilled, adaptable workforce

- 5. The capacity of the UK to attract, retain and develop innovative research-intensive businesses that generate economic growth is dependent on a highly skilled workforces across our nations and regions. The latest results of the Employer Skills Survey (ESS) show an increase in vacancies and skills gaps, and vacancies have persisted at around 1 million⁹. Action is needed to address the current skills crisis, anticipate skills needs and build a workforce fit for the future.
- 6. NCUB recommends:
 - I. Renewed support for a national body that gathers labour market intelligence to inform education and skills policy. Since the dissolution of the UK Skills and Employment Commission (UKCES) in 2017, the UK has lacked a national body dedicated to gathering labour market intelligence to guide policy making. Several new initiatives, including the establishment of the Government's Skills and Productivity Board and the Office for Talent, are useful interventions. However, they do not have a broad enough scope to provide, or coordinate collection of, the range of evidence on labour market needs required by both higher education providers and policy makers to support effective policy¹⁰.
 - II. Sponsor a task and finish group of public research funders to review current provision for intersectoral mobility and develop proposals for expanded provision to support mobility of researchers between academia and mobility. This mobility can build new networks and facilitate new applications of research.¹¹
 - III. Ensure policy interventions taken in response to the 2019 Augar Review reflect the current social, economic and fiscal context and do not undermine individual ambition. The Higher Education Policy statement and Reform Government consultation response set out an intention to introduce recruitment limits on low quality provision. Low quality provision in this context is defined in part in terms of progression and student outcomes. Entrenched inequalities mean that students from disadvantaged backgrounds are more likely to drop out of university and are less likely to secure the best-paying jobs. This means that, in practice, the type of course selected for a cap is

⁵ Further detail and supporting analysis contained in: <https://www.ncub.co.uk/wp-content/uploads/2020/11/NCUB-RD-Taskforce-Report-2020-Final.pdf>

⁶ Further detail and supporting analysis contained in: <https://www.ncub.co.uk/insight/attracting-international-investment-in-rd/>

⁷ <https://www.ncub.co.uk/insight/regional-innovation-fund-will-unlock-local-benefits-of-university-business-collaboration-says-ncub/>

⁸ Further detail and supporting analysis contained in: <https://www.ncub.co.uk/wp-content/uploads/2023/08/NCUB-A-Measurable-Loss-ERDF-report.pdf>

⁹ <https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2022>

¹⁰ Further detail and supporting analysis contained in: <https://www.ncub.co.uk/wp-content/uploads/2022/05/Response-to-the-Department-for-Education-consultation-on-Higher-Education-Reform-w-cover.pdf>

¹¹ Further detail and supporting analysis contained in: <https://www.ncub.co.uk/insight/pathways-to-success/>



more likely to be one with a high proportion of students from disadvantaged backgrounds, punishing universities that push boundaries to widen social mobility. Separate proposals to lower and freeze certain fees need to consider their impact upon institutional sustainability in a context of persistent high inflation. While interventions to encourage people from disadvantaged backgrounds are vital, the scale of support proposed through the National State Scholarship falls below that of the Augar Review recommendation to reintroduce maintenance grants and so may not be sufficient.

- IV. Review of the deliverability of Lifelong Learning Entitlement (LLE). During the DfE/OfS Short Courses Trial, uptake of student loans for short, credit-bearing, courses at levels 4-6 was low. For many universities the cost of delivering these additional courses is not economical. Lifelong learning and vocational short courses can provide benefit to individuals and the economy and are necessary as part of a coherent skills offer. However, it does not seem the LLE as currently constituted will deliver this and so review is necessary. LLE must be affordable for HE suppliers, and the loan system attractive and financially viable to adult learners, who face financial pressures from the cost-of-living crisis. The scope for funding should be extended beyond levels 4-6, to avoid limiting learner's ability to upskill, and credit transfer between courses and suppliers should be simplified.
- V. Support universities to deliver degree apprenticeships in partnership with industry. The support and emphasis behind technical education and degree apprenticeships is positive. However, for this education route to produce graduates with in-demand skills, and to be delivered at scale, the Government and devolved administrations should convene education suppliers and employers to match teaching content and approaches to current and future skills needs, and secure industry placement positions in all regions.



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DC. 115, The Clarence Centre
6 St George's Circus
London SE1 6FE

T **+44 (0)20 7383 7667**
E **info@ncub.co.uk**
W **www.ncub.co.uk**