National Centre for Universities and Business

NCUB representation to Autumn Budget 2025

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NCUB submission to Autumn Budget 2025

Introduction

The National Centre for Universities and Business (NCUB) represents a collective voice of leaders across higher education and business and aims to tackle issues of shared national importance. We are an independent, not-for-profit membership organisation that promotes, develops, and supports university–business collaboration across the UK.

NCUB welcomes the Government's focus on growth and the positive decision to accelerate public capital investment as a driver of productivity. We also support the commitment to sustained public R&D. This submission is principally about how to get the greatest value from that investment. The UK's persistent productivity challenge reflects interlinked weaknesses—underinvestment in R&D and skills, fragmented industrial support, inadequate long-term planning, and fragile institutional capacity—which these measures are designed to address. The ability of universities and businesses to work together within effective innovation and skills systems is central to overcoming these weaknesses. Collaboration drives productivity, diffusion of innovation, and regional growth, anchoring economic opportunity across the UK.

This submission draws directly on NCUB's ongoing engagement with businesses, universities and policymakers. It also builds on evidence and recommendations from the NCUB Business-Led R&D Taskforce, chaired by Sir John Manzoni, Dame Nancy Rothwell and Sir Jon Symonds, which engaged over 2,000 SMEs and several major firms. The Taskforce report will be published on 28 October 2025.

The submission calls for a coherent, fiscally responsible plan to reverse the UK's decline in business R&D investment, strengthen skills and talent pipelines, and secure the higher education system needed to turn world-class research into industrial and economic advantage.

Our proposals for the Autumn Budget 2025 focus on practical, fiscally responsible measures that:

1. **Unlock greater business investment in R&D**, through clear Industrial Innovation Priorities and a simplified, better-aligned public R&D system;
2. **Reinforce the stability of long-term public research funding**, ensuring the UK remains globally competitive;
3. **Strengthen skills and talent pipelines**, particularly at higher and technical levels; and
4. **Stabilise and sustain the higher education system** as the foundation of national capability.

Recommendations to the Autumn Budget 2025

Going for growth – unlocking business investment in R&D

The UK remains a world leader in scientific discovery and university research. Yet business investment in R&D — a critical driver of innovation and productivity — fell by 6% in real terms between 2021 and 2023 (a £3.4 billion decline). The Taskforce found the contraction was sharpest in percentage terms among SMEs and mid-sized firms (with a marked drop-off in R&D tax-scheme participation since 2023), but the largest aggregate fall came from reduced R&D by major companies in key manufacturing sectors that anchor productivity, exports and supply chains.

Drawing on interviews with major firms, a survey of over 2,000 SMEs, and engagement with universities and policymakers, the Taskforce proposes three interconnected levers — **Focus, Simplify, Reform** — to tackle the system's underlying weaknesses: fragmentation, weak demand-pull, and slow delivery. The UK's world-class research base gives us a powerful foundation for growth, but its value depends on how effectively businesses turn that strength into new markets, industries and solutions. The opportunity now is to connect discovery to demand: align public excellence with private ambition and give firms the confidence and clarity to invest at scale. By strengthening direction, stability and delivery across the system, the UK can convert research leadership into enduring industrial advantage.

Focus: Clear Industrial Innovation Priorities that deliver

The UK's R&D effort is too thinly spread across short-lived initiatives. To provide direction and confidence to business, the Government should:

1. **Identify and sustain a small number of Industrial Innovation Priorities from early 2026**, aligned with the Modern Industrial Strategy and the eight Sector Plans. Each should focus on time-bound opportunities where the UK can lead globally — such as zero-emission flight, next-generation cell therapy manufacturing, or data-driven infrastructure resilience.
    - Each priority should have a clear business case, joint industry–research oversight, and three-yearly independent review by the Industrial Strategy Council. These must balance research excellence with business demand and policy coherence.
2. **Enable private co-investment** through a **rules-based "Co-Investment Allowance"**, modelled on the Dutch Public–Private Partnership (PPP) Allowance.
    - For every £1 of business investment into collaborative R&D aligned with Industrial Innovation Priorities, government would provide a **fixed 30% top-up**.
    - This automatic mechanism would create a **predictable, low-bureaucracy framework,** ensuring firms can plan for long-term co-investment

Simplify: A system businesses can engage with

Businesses report that the public R&D system remains fragmented and slow. The multiplicity of programmes and portals discourages engagement and delays investment.

The Taskforce has identified the “missing middle” between research and deployment as the main structural weakness in the R&D and innovation pathway.

The Government should:

3. **Rationalise and align existing research and innovation programmes**, led by DSIT across departments and agencies.
    - The goal should be to **simplify access, reduce duplication**, and ensure industrially focused funding streams align to the new Industrial Innovation Priorities.
4. **Establish an Industrial Innovation Priorities Fund**, pooling existing applied and translational research budgets across UK Research and Innovation (UKRI) and departments.
    - This five-year cross-council fund would enable smoother progression from research to deployment, filling the “missing middle” of the innovation pathway.
5. **Create a digital “front door” for business**, building on the UKRI-supported konfer platform, to consolidate all R&D funding, collaboration opportunities, and facilities.
    - This should be backed by **account management and brokerage services**, connecting firms — particularly SMEs — to appropriate partners and support schemes.

Reform: Institutions built for delivery

Delivery capacity is as important as funding. Multiple independent reviews — Nurse, Tickell, Grant, NAO — have highlighted that the UK’s R&D system performs strongly in its parts but weakly as a whole.

The Government should:

6. **Strengthen UKRI’s delivery mandate and accountability** by embedding measurable business participation, private leverage, and translational impact targets in its Framework Document.
    - Create a **joint Department for Science, Innovation and Technology (DSIT)–UKRI Analytics Unit** to track in-year performance and transparency in private leverage and outcomes.
7. **Resource delivery capacity** within DSIT and UKRI to accelerate decision-making, streamline assurance processes, and ensure programmes operate at **commercial pace**.

Complementary fiscal measures

Structural reforms must be matched by fiscal stability to de-risk business R&D:

8. **Freeze corporation tax and avoid further rises in Employer National Insurance Contributions** to maintain cost stability. Businesses face acute cost pressures; tax stability is critical for long-term investment
9. **Reaffirm the UK’s long-term public R&D trajectories beyond 2026 with multi-year certainty**. Maintain and increase investment beyond 2026, providing multi-year

budgets that give businesses and others predictability and signal the UK's intent globally

10. **Protect capital investment pipelines for research infrastructure**. Protect allocations for research infrastructure to maintain delivery momentum.
11. **Attract high-value foreign R&D investment by establishing a Global Collaboration Fund** to pool university and business strengths and attract overseas R&D investment, linked to a Research-Intensive FDI Strategy co-led by DBT and DSIT.
12. **Consolidate and stabilise stability in R&D tax relief schemes**. Consolidate around the merged Research and Development Expenditure Credit (RDEC) regime with predictable rates and eligibility.
13. **Restore accessibility to R&D tax mechanisms** to reverse declining uptake and ensure smaller innovators are not excluded.

Mobilising private and institutional finance for innovation

Unlocking growth depends not only on public R&D spending but on mobilising private and institutional finance into productive, innovation-led investment. Despite world-class financial markets, too little domestic capital flows into R&D-intensive sectors. UK pension funds and insurers continue to hold a smaller share of equities and venture investments than their international peers, limiting the supply of patient capital. This structural imbalance leaves firms—especially SMEs and scale-ups—over-reliant on internal finance or foreign investors, and constrains the UK's long-term growth potential.

The Government should:

14. Unlock patient and institutional capital
    - **Accelerate and extend the Mansion House pensions reforms** to channel pension and insurance assets into productive, innovation-led investments, rather than low-risk financial holdings.
    - **Establish clear targets for institutional fund allocation to UK R&D intensive firms and reporting mechanisms** for the share of institutional funds invested in UK productive assets, including R&D-intensive firms.
    - **Mandate the British Business Bank (BBB)** to co-invest with institutional and private funds in sectors aligned with the Modern Industrial Strategy.
15. Expand access to scale-up and growth finance
    - **Bridge the £15 billion scale-up funding gap** (ScaleUp Institute, 2020) by expanding the BBB's co-investment model and crowding in private finance through first-loss guarantees.
    - Support the creation and expansion of **university-led regional investment funds** (e.g. Midlands Mindforge, Northern Gritstone, Cambridge Innovation Capital) with matched government funding to de-risk early-stage innovation.

- Encourage **foreign and domestic investors** to anchor capital in the UK through clearer industrial priorities and stable regulatory and fiscal frameworks.

Securing the UK's future talent

The Government's ambitions in the Modern Industrial Strategy rightly depend on a workforce equipped with higher-level skills. But ambition must be backed by supportive policy, targeted commitments and incentives to ensure that universities, employers and learners can respond at scale.

The Government should:

16. **Reintroduce targeted grants for high-cost higher education provision**. The Government should reinstate funding for critical STEM and specialist courses that underpin Industrial Strategy sectors but cannot be sustained by tuition fees alone. Recent analysis by Universities UK and the Russell Group show that the average deficit per UK undergraduate student now exceeds £2,500, rising to over £4,000 in laboratory-based subjects, forcing many universities to scale back provision (Universities UK, 2024; The Guardian, 2022). Without targeted support, capacity in strategically vital disciplines such as engineering, physical sciences, and healthcare risks permanent contraction—undermining the talent pipeline essential for the UK's industrial and innovation priorities.
17. **Restore and protect Level 7 apprenticeships in levy eligibility**. Funding eligibility for Level 7 (master's-level) apprenticeships should be reinstated under the Growth & Skills Levy, particularly in sectors tied to Industrial Innovation Priorities, and protect this line alongside youth apprenticeships.
18. **Establish a short-term cross-sector Taskforce on Employer Investment in Skills**, bringing together business, universities, Skills England and HM Treasury. The Taskforce should assess the barriers to employer co-investment in higher-level and technical skills and identify the fiscal and policy mechanisms needed to overcome them.
19. **Pilot a "Skills Investment Credit"** —building on lessons from R&D tax relief—to test whether a targeted incentive could effectively stimulate employer spending on accredited skills training.
20. **Strengthen Skills England's remit and capability** to span higher, technical, and doctoral-level skills—ensuring that it can plan coherently for the workforce needs of an R&D-intensive economy and work closely with DSIT and the Department for Education (DfE) to align skills supply with Industrial Innovation Priorities. This should include Skills England facilitating better mobility between learners from academic and technical skills pathways.

Fixing the foundations for higher education

Universities are one of the UK's greatest strategic assets — educating the workforce, performing world-class research, and acting as regional anchors for innovation and growth. Yet their financial resilience is deteriorating rapidly

Institutional insolvency would not only disrupt education for students but also weaken regional economies, supply chains and skills ecosystems. The Government must deliver a long-term funding and policy settlement that safeguards universities' role as economic and innovation anchors. This must include financial safeguards. Any interventions aimed at addressing university sustainability challenges will inevitably take some time to fully bed-in. In the meantime, many universities will remain at risk of bankruptcy. The regional impacts of this happening are significant and risks further weaking particular local economies.

Despite their continuing commitment to partnership, universities are increasingly struggling to sustain collaboration with business under mounting financial pressure. NCUB's *State of the Relationship* data shows that overall collaboration volumes remain resilient, but engagement values and depth are weakening — with fewer large-scale, demand-led partnerships and more short-term or transactional projects (NCUB, 2024). This reflects universities' shrinking flexibility to invest in relationship management, facilities, and translational capacity at a time when businesses need more, not less, support to innovate.

The latest Universities UK survey underscores the scale of the challenge: nearly one in five universities have already reduced investment in research, and four in five expect to make further cuts within three years, alongside course closures and reduced maintenance spending (Universities UK, 2025). As institutional finances tighten, so too does the connective tissue between universities and businesses — constraining the UK's ability to translate research excellence into industrial impact, regional growth and skilled employment. Stabilising university funding is therefore not only a matter of educational continuity, but of protecting the infrastructure of national innovation.

The Government should:

21. Provide long-term certainty to universities
    - **Develop a sustainable higher education funding model** that addresses teaching and research deficits and enables regional provision aligned with Industrial Strategy sectors.
22. Protect and strengthen collaboration capacity
    - **Safeguard and uplift the Higher Education Innovation Fund (HEIF) to £500 million by 2027**, recognising its critical role in enabling universities to respond flexibly to business needs and stimulate industry-led R&D investment. Unlike tightly ringfenced or project-based funds, HEIF provides the discretionary capacity universities need to build partnerships, co-design innovation activity, and respond quickly to emerging industrial opportunities — the very responsiveness that drives "industry pull." Sustained and predictable HEIF growth would allow universities to maintain collaboration, translational activity, and regional innovation networks at a time of mounting financial strain.
    - **Replace lost European Structural Funds with targeted investment to support collaboration in underrepresented regions**, particularly where universities act as the principal anchor for business R&D and skills.
    - **Ensure that any framework for managing potential institutional insolvencies or mergers fully accounts for their wider economic and innovation impact.** The loss of a university partner would not only disrupt education and employment but also dismantle local business partnerships,

innovation clusters, and supply chains—undermining regional and national growth ambitions.

23. Reform international student policy
    - **Remove students from migration targets and treat them as contributors to the UK's knowledge economy**, not as net migration figures.
    - **Withdraw the proposed international student levy in England—following Wales's lead**. A levy would act as a tax on a strategic export, damage the UK's competitiveness in global education markets, and further destabilise university finances that support teaching, research and regional growth. Shelving the levy and reaffirming a pro-international stance is the fiscally smarter route to protect net export earnings and talent pipelines.
24. Targeted support for at-risk universities
    - **Introduce loan-backed funding for universities facing bankruptcy but that can present a compelling business case to restructure their operations** – including through regional mergers. Loan conditions could include a requirement to align with industrial strategy priorities in relation to local growth agendas (including skills).

Supporting devolution

Local structures are playing an increasingly critical role in enabling the research, innovation, and skills ecosystems that underpin regional growth. However, these structures remain unevenly established across the UK, particularly in areas that have lost access to previous European Union structural funds, constraining their capacity to invest in innovation and talent.

As new devolved models emerge—especially across shire counties and other parts of England where devolution is still nascent—the Autumn Budget provides an opportunity to ensure that all regions can participate fully in the UK's innovation-led growth.

The Government should:

25. **Support the development of local capacity and coordination**, ensuring that devolved funding mechanisms do not inadvertently disadvantage less mature ecosystems. Universities and businesses must be empowered to help shape these new structures, sharing best practice from established innovation regions and acting as anchor institutions within evolving local economies.
25. Targeted investment, flexible funding, and clear accountability will be vital to make these new devolved arrangements successful and inclusive.