

Meeting the Economic Challenge:

Building a broader research base for the UK

1. The need to innovate and the requirements of research

- 1.1 Innovation is essential to the UK's future economic prosperity and quality of life. To raise productivity, foster competitive businesses, meet the challenges of globalisation and to live within our environmental and demographic limits, the UK must excel at all types of innovation.
- 1.2 Research and development are key to helping to improve goods, services, skills and operations, and universities are central to the provision of this research. The economy is large and diverse. Companies, public sector bodies and not-for-profit organisations vary in size, activity and requirements. Research needs to reflect this diversity and meet the demands of the many different elements of the economy at national, regional and local level as well as globally.
- 1.3 Importantly, to be effective, research needs to be readily available and easily accessible wherever businesses and employers are located. This is even more important if the UK is to respond to the global economic challenges which are pushing the UK economy into recession.

2. The current system of funding research in universities and its shortcomings

- 2.1 In January 2009 the Higher Education Funding Councils will decide which universities should receive Quality-related research funding over the next five year period i.e. up to 2013. **The Government will set the priorities for the Funding Councils.** (Rt Hon David Lammy MP House of Commons 15 Oct). This is one of the most significant and important funding decisions that the Government makes about the public funding of universities. In the year 2007-8, QR research funding was over £1.5bn. This will increase to almost £1.9bn by 2010-11 (funding allocated from the Science and Innovation Budget).
- 2.2 At the time of the last QR research funding decision in 2001 / 02, the Government prioritised the funding of excellent research of international significance, as determined by the Research Assessment Exercise (RAE). This meant that that the majority of universities have received very little funding for research. Quite simply, there has been no public funding for research of national significance provided by the UK Government since 2002 even though the QR research budget has been increased. The result has been that a small number of universities have received the vast majority of public funding. Since the 2002 decision, 76% of all QR funding has been given to just 19 universities, which represents only 15% of the 120 universities in the UK.

3. Maximising the impact of public investment in research to meet the Economic Challenges of Today

3.1 The QR research allocation should recognise the importance of funding the diverse range of research that is demanded by the diversity of the public and private sectors in the UK. QR funding should ensure that the infrastructure for research is supported in all universities.

3.2 In the five year allocation, to be announced in January 2009, excellent research of national significance should be prioritised by the Government and funded by the Funding Councils as well as excellent research of international significance. If just 10% of the annual QR budget was invested in universities that specialise in excellent research of national importance, universities with turnovers of £60m–100m pa would receive a minimum of around £5 million annually, and universities with larger turnovers £100m–150m pa would receive a minimum of £10 million annually. As a result of the 2002 decision, some of these universities have received less than £1m pa in public funding to sustain their research infrastructure in spite of the importance of their research to the regional and national economy.

4. Benefits to the UK from building a broader research base

4.1 This would benefit the UK economy by allowing all universities to create and maintain a strong research infrastructure across the UK. Accessibility to university research for businesses and the public sector will be greatly enhanced as organisations will be able to work with their local universities.

4.2 Regional economic development will be enhanced as universities are able to provide practical research support to local business. This complements the international, often blue-sky, research that is predominantly undertaken by those universities currently receiving the vast majority of QR funding.

4.3 The UK will get a greater return for its investment. Research shows that universities undertaking excellent research of national significance are far more effective at leveraging additional funding to invest in research from the public and private sectors (Arthur D. Little “Report on social and economic impact of publicly funded research in 35 universities” June 2006). The 19 universities that receive 76% of QR funding manage to attract an additional 177 pence for every pound of QR. The 35 universities in the study (that receive just 5% of QR funding) attract 303 pence for every pound of QR funding.

4.4 Many of the universities currently receiving little QR funding have developed expertise in emerging markets and sectors that are often ignored by traditional research institutions. The broader research base will allow the UK to nurture talent from across the entire university sector and in a far wider range of disciplines. This will better enable them to recruit and retain graduate and postgraduate students, both from home and abroad – and it will help meet the economic challenges of re-structuring and sustainability.

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