

ARMA Protagonist November 2022

What Should We Make of the Current Political and Economic Environment?

2022 continued the trend of previous years in being one of turmoil, some self-inflicted. You will be reading this in January 2023, whilst I am writing it in November 2022. A lot could have happened in that short period, so you have the advantage on me!

The Politics

To some degree, a Sunak government is likely to be closer to the previous Johnson one than it is to the short-lived Truss administration. As Chancellor, Sunak supported investment in R&D and speaks positively of it as PM, as a means of supporting economic growth. However, the economic position is a lot tighter (especially after September's disastrous mini-budget), and Sunak does not have the tendency of making bold (and unfunded) statements – suggested to be one of the points of disagreement between him and Johnson.

Levelling up may be back on the agenda, but the funding to support it, in particular to replace European Structural Funds on which many research organisations drew, has yet to emerge fully. Whilst this ought to be politically important (to try to retain seats won in 2019), the timescale for wider impact is significant and hence doing too much in this space might be questionable, politically. Perhaps we'll see interventions that have short turnrounds, which means being able to respond and deliver outcomes quickly. The Autumn Statement 2022 indicated that the Levelling Up Fund would allocate £1.7Bn by the end of 2022; and there will be some reworking of investment zones with HEIs centrally involved.

The Economics

The R&D sector makes strong claims about its importance in helping to drive growth and economic prosperity. However, these tend to be longer-run effects, which does not play so well in a short-term environment. The government is speaking more about innovation than research, reflecting its desire for economic (and social) effects: the Chancellor commented on turning world-class innovation into world-class companies. Similarly, writing just before the ARMA Conference, Professor Chris Smith (AHRC Executive Chair and UKRI's International Champion) reflected this in his support for end-to-end innovation.

There has been an ambition to increase the national spend on R&D to be 2.4% of Gross Domestic Product (the OECD average when it was originally suggested). Revisions by the Office for National Statistics in 2022 suggest that the target has already been met. As others have warned, could this provide the government an excuse to draw back on R&D investment? (If you've not seen it, do look at Josh Martin's commentary; <https://wonkhe.com/blogs/we-just-met-the-governments-rd-spending-target-or-did-we/>.)

Fortunately, the Autumn Statement restated the government's commitment to increasing public R&D spend to £20Bn by 2024-25, which suggests some protection for the UKRI budget and for R&D budgets in government departments. There was also an increased budget for the Catapults. However, after 2024-25, departmental budgets will only increase by 1% in real terms and capital budgets, from which R&D is funded, will remain flat in cash terms. R&D tax credits are also being adjusted, which might affect some companies' engagement, and there's no relief in sight for the Official Development Assistance (ODA) budget.

The underlying economics of higher education, which relies on overseas student fees to prop up research (and some teaching) – the TRAC deficit on research for 2020-21 was

£4.2Bn, a slight improvement on the previous year – are not going to get any easier in the short to medium term. Government has signalled that it does not want further expansion of overseas student numbers (having hit its target early) and the stance on immigration remains robust (and expensive). There were no announcements in the Autumn Statement on student finance.

Cost of Living Crisis

This is only the start of the cost of living crisis. Even if inflation eases off, prices will still be significantly higher than they were, and incomes (personal or organisational) are unlikely to have matched the increases.

We've seen campaigns by PGR students, and some responses. Staff on lower salaries are also in precarious positions. Research Council grants continue to have minimal indexation, causing increased challenges for principal investigators and those who support them.

To some degree, the retention of the 2021 Spending Review allocations provides a period for adjustment, before we again hit a period of 'flat cash'.

Do we (collectively) have the resolve to bite the bullet and reduce the volume of research, in order to fund it better? Better funded research might mean less precarious positions, but it would also mean fewer of them.

Responses Awaited

There remain (at time of writing) some unanswered questions. Two reviews have been published (Tickell's on research bureaucracy; Grant's review of UKRI) and two are yet to appear (Nurse on UK R&D; Future Research Assessment Programme, due in Spring 2023). All will require some form of official response. These are all likely to be of more interest and importance to ARMA members than the breadth of the Autumn Statement. Which of these will release significant resource or galvanise new productive activities?

And, of course, there's Horizon Europe, or Plan B. There is little that a Science Minister can do to realise the former, as it's dependent on the position over Northern Ireland. However, it looks as though the budget line has been retained, at least for now.

The Outlook

The outlook remains tight. Attention of public funding will be towards economic outcomes. Researchers and their organisations will need to continue to apply themselves to the 'impact agenda', helping to realise impact, not just write the case studies. Delivering enhanced skills development will also be important, as will efficiency and prioritisation. No doubt we're in for a tough few years and will need our collective resilience and resolve to get us through.

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