Dear Vice-Chancellor or Principal,

Funding for higher education institutions for 2018-19

1. This circular letter sets out our decisions on recurrent funding for higher education institutions for academic year 2018-19, and on capital funding for financial year 2018-19.

2. Decisions on funding are delegated from the Chief Executive Officer of UK Research and Innovation to me as Executive Chair of Research England.¹ The Executive Chair acts with the endorsement and broad support of the Research England Council.

3. These decisions are based significantly on previous decisions made by the HEFCE Board, which remain largely unchanged. This recognises that we could not make formal decisions until our legal establishment on 30 March 2018. The Research England is a council of UK Research and Innovation, a non-departmental public body with responsibility for research and innovation funding in the UK. Established by the Higher Education and Research Act 2017, Research England is taking forward the research and knowledge exchange functions of HEFCE. [https://www.ukri.org](https://www.ukri.org)

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England Council met in shadow form in February and March 2018 to endorse these proposals, recognising that further detailed consideration by the Council would be required this year to inform decisions for 2019-20.

4. Alongside this letter, we have published:

   a. Terms and conditions of Research England grant, which apply to the funding we provide to higher education institutions (RE-P-2018-02). These terms and conditions are intended to provide continuity from the approach taken by HEFCE, and align with the Office for Students’ terms and conditions of funding for higher education institutions2;

   b. Annex B of the allocations letter to UK Research and Innovation from the Department for Business, Energy and Industrial Strategy, which sets out the overall budgets and government priorities for Research England in financial year 2018-19. This annex is equivalent to previous grant letters sent by government to HEFCE.

5. We will notify institutions individually of their recurrent and formula capital grants for 2018-19 in early May 2018, with all allocations and associated details embargoed until publication at that point. The timing of the publication and associated embargo are to ensure that these do not occur during the pre-election period leading up to local elections on 3 May.

6. Unless specified otherwise, all figures in this letter relate to academic years (August to July).

**Budget decisions for 2018-19**

7. Annex B to the UK Research and Innovation allocations letter confirmed the funding available to Research England for the 2018-19 financial year (April to March) and provided indicative funding for the 2019-20 financial year. The annex also identified the policies and priorities that should underpin our approach to funding.

8. In the light of that annex, and with endorsement of the Research England Council, we have set budgets for recurrent grant and funding for national facilities and initiatives for the 2018-19 academic year (Table 1) and budgets for formula capital

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2 [https://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-higher-education-institutions/](https://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-higher-education-institutions/)
grant for the 2018-19 financial year (Table 2). Further detail about these allocations is provided below.

9. We will not change the 2017-18 academic year recurrent grant allocations for research and knowledge exchange previously announced by HEFCE. However, we reserve the right to revise allocations for other reasons, for example if we find that terms and conditions of grant have not been met or that formula allocations have been informed by incorrect institutional data.

10. In making these decisions, we have assumed that the indicative grant for the 2019-20 financial year will be confirmed. Any future changes to the grant made available by Government could affect the funding we are able to distribute to institutions in the 2018-19 academic year, and this may include revising allocations after they have already been announced.

Table 1: Recurrent grants and funding for national facilities and initiatives for the 2018-19 academic year compared with 2017-18

<table>
<thead>
<tr>
<th>Element of grant</th>
<th>Academic year budgets (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017-18</td>
</tr>
<tr>
<td>Recurrent research (including GCRF)</td>
<td>1,620</td>
</tr>
<tr>
<td>of which funding for national facilities and initiatives</td>
<td>14</td>
</tr>
<tr>
<td>Recurrent knowledge exchange</td>
<td>185</td>
</tr>
<tr>
<td><strong>Total non-capital grants</strong></td>
<td>1,805</td>
</tr>
</tbody>
</table>

2018-19 recurrent funding for research

11. In line with the above overall increase, the budgets for two streams within recurrent research funding will be increased in 2018-19. These are:

- QR research degree programme (RDP) supervision funding, which will increase by £20 million to £260 million
- QR charities research, which will increase by £6 million to £204 million
12. We have now separately identified the allocation of £58 million from the Global Challenges Research Fund for investment in cutting-edge research that addresses the challenges of economic development and wellbeing faced by developing countries (as listed on the Organisation for Economic Co-operation and Development’s Development Assistance Committee’s list of eligible countries). This is an increase from the previous allocation of £48 million. The allocation of this funding is subject to the submission and approval of individual HEI-level strategies for the use of QR GCRF. Details of this process were communicated by HEFCE to eligible HEIs in January 2018 and the deadline for submission of strategies was 26 March 2018. Following consideration of their strategies, we will inform institutions of their individual GCRF allocations in July 2018.

13. The budget for mainstream quality-related research (QR), together with its London weighting element and excluding GCRF, will be maintained in cash terms in 2018-19 at a total of £1,050 million.

14. The other separate streams within recurrent research funding will be maintained in cash terms at the same levels as for 2017-18. These are:

- £64 million for QR business research
- £7 million for national research libraries.

15. Funding for national facilities and initiatives has been increased to support emerging priorities and other transition activity arising from the establishment of UK Research and Innovation and the incorporation of Research England.

### 2018-19 funding for knowledge exchange (KE) through the Higher Education Innovation Fund (HEIF)

16. The total recurrent formula allocations for knowledge exchange in 2018-19 allocated through the Higher Education Innovation Fund (HEIF) will be increased by a further £25 million from 2017-18, to £210 million. This takes account of the Government’s policy set out in the Industrial Strategy White Paper to build further on the success of HEIF. This total includes £47 million which is provided from the Office for Students’ teaching grant to support student and teaching elements of KE through HEIF, the allocation of which has been agreed with the Office for Students.

17. The Government has provided us with additional funding from 2017-18 and from 2018-19 through HEIF to achieve specific objectives, as identified in its Industrial
Strategy. Therefore, as set out in HEFCE Circular letter 01/2018 ‘Knowledge exchange funding: Higher Education Innovation Fund – institutional strategies and plans’, we will shortly be sending all HEIs in receipt of HEIF formula allocations in 2018-19 a template for submission of a plan for use of HEIF, aligned with the institution’s previously approved KE strategy. Plans for HEIF must be approved by us for release of 2019-20 onward HEIF allocations and we will set out our assessment and approval processes for plans with the template shortly.

18. The increase is being allocated using the established HEIF policies and methods, previously set out in HEFCE 2016/16 ‘Higher Education Innovation Funding: Institutional five-year knowledge exchange strategies’. In using all HEIF allocations, HEIs should take account of Research England and Office for Students policies, terms and conditions for KE funding, including as set out in HEFCE 2016/16.

19. For 2017-18 allocations, some necessary amendments were made to the established HEIF methods to accommodate the additional £40 million provided then by Government to deliver Industrial Strategy priorities. The approach was set out in HEFCE 2017/25 ‘Higher Education Innovation Fund: Additional funding for knowledge exchange to deliver the Industrial Strategy’. Research England and the Office for Students have agreed a similar approach in allocating the recurrent formula funding for 2018-19. With the additional £25 million:

- We have increased the top cap to main allocations from £3.325M to £3.895M
- We have continued to relax the annual modifier from +10 per cent maximum year-on-year increase, to +30 per cent.

20. In 2017-18 HEFCE made two separate allocations of one-off formula funding: £15 million was allocated from the Connecting Capability Fund; and £15 million from the additional industrial strategy funding made available from 2017-18. These elements are superseded by an increase to the overall allocation to HEIF and an allocation for a KE projects fund which we will announce in due course.

2018-19 formula-based research capital grants

21. The annex to the allocations letter from BEIS to UK Research and Innovation showed total formula-based capital grants of £203 million. The Executive Chair has agreed research capital grant budgets for 2018-19 as shown in Table 2.
Table 2: Formula-based Research Capital grants for 2018-19 financial year

<table>
<thead>
<tr>
<th>Element of grant</th>
<th>2018-19 Budget (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula-based research capital</td>
<td>183</td>
</tr>
<tr>
<td>National facilities and initiatives</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total capital grants</strong></td>
<td><strong>203</strong></td>
</tr>
</tbody>
</table>

22. We provide capital grants on a financial-year basis and thus require capital grants for 2018-19 to be spent in full by March 2019: we cannot provide funding in advance of need. We will announce the distribution to institutions of formula-based research capital allocations for research alongside the detail of recurrent allocations in May. Our general approach is to keep changes to the formula method since 2017-18 to a minimum. We will therefore implement the following:

- Formula-based research capital will continue to comprise two separate elements:
  
  i. ‘HEI Research Capital England’, totalling £96 million, will be allocated in proportion to recurrent QR funding for 2016-17 and 2017-18 and research income from other (non-Research Council) sources for 2015-16 and 2016-17.

  ii. ‘Higher Education Research Capital (HERC) England’, totalling £87 million, will continue to be allocated pro rata to research income from Research Councils, reflecting finance data for the most recent three years.

Further information

23. Any questions about this letter should be addressed recurrentfunding@re.ukri.org. Questions about research or knowledge exchange specifically should be addressed to researchpolicy@re.ukri.org or kepolicy@re.ukri.org respectively.

Yours sincerely

David Sweeney
Executive Chair