

Cylchlythyr | Circular

Consultation on implementing new research funding method

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To: Heads of higher education institutions in Wales
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This is a consultation on the implementation of a new method for allocating HEFCW's unhypothecated research funding. This new method will replace the current method used to allocate HEFCW's QR and PGR support funding streams. These streams will collectively be known as 'Research Funding' upon implementation of the new method.

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Introduction

1. This circular seeks views on proposals to update HEFCW's method for allocating annual unhypothecated research funding to HEIs. HEFCW would welcome the views of key stakeholders to assist in designing and implementing the new formula, which HEFCW aims to introduce for the AY 22/23 allocations. Responses to the consultation should be submitted using the Consultation Form attached as **Annex C** by 12 noon on **Friday 01 October 2021**.
2. This circular lays out the reasoning behind HEFCW's proposed changes in the research funding method. This is so that stakeholders can fully understand what principles and goals underpin the proposed changes. HEFCW acknowledges that the full effects of proposed changes cannot be known in advance of the publication of REF 2021 results. Therefore, in their responses stakeholders are asked to comment on the appropriateness of these principles and goals, and to comment on any potential consequences of the proposed changes that they foresee.
3. HEFCW acknowledges the central importance of its research funding to the long term health and stability of research activities in HEIs. Our allocations of unhypothecated funding allow institutions to plan their investments in research strategically over the longer term. The Covid-19 pandemic has further increased the importance of this funding stream in providing stability during uncertainty and underpinning the sector's ability to contribute to recovery plans. This consultation is one element of a rigorous policy development process which will balance the need to update HEFCW's research funding methodology to use REF 2021 results as soon as possible after publication, and improve its effectiveness and transparency, against the important role HEFCW's research funding plays in underpinning the longer term stability of the sector. Any decisions HEFCW makes regarding its new research funding methodology will take into account the effects on the stability of the research base across the sector.

Background

4. HEFCW funds research in HEIs in Wales primarily through its QR (quality research) funding stream. This is unhypothecated funding, allowing institutions to decide how to spend it to best pursue their strategic goals. In academic year 20/21 HEFCW allocated £75.8m to HEIs through its main QR funding stream, and will allocate £81.7m in academic year 21/22. QR funding is allocated by formula.
5. HEFCW also allocates funding to contribute to the costs of training PGR students in Welsh HEIs. In 20/21 HEFCW allocated £6.5m to HEIs through this stream, and will allocate £6.2m in academic year 21/22. PGR support funding is allocated by formula.

6. The QR formula operates to fund sustainable research excellence, using quality, volume, and sustainability measures. The quality measures are drawn from the results of UK national research assessment exercises, the last of which was REF 2014. The volume and sustainability measures introduce minimal thresholds for the size and quality of REF Units of Assessment (UoAs) that are eligible for QR funding. There are portions of the QR budget allocated separately against the highest quality research and against charity research income. Full details of the current QR formula are laid out in **Annex A**.
7. HEFCW Council decide each year the maximum amount of funding available from HEFCW's total budget that can be provided to the PGR support stream. This is allocated by formula using eligible PGR enrolments reported in institutional HESA returns combined with Units of Funding which reflect differing subject weightings. If the allocations produced by the formula exceed the maximum funding available, allocations are reduced pro rata. Full details on the PGR support formula (including PGR eligibility criteria) are laid out in **Annex B**.
8. HEFCW Council has decided to review its current research funding arrangements and implement a new method. This new method will make use of the results of the REF 2021 exercise, and is intended to come into effect for the AY 22/23 funding allocations. This will ensure that institutional allocations are based on REF 2021 results as soon as possible. Making use of REF 2021 results as soon as possible ensures that HEFCW's allocations will be underpinned by the latest available data, and provide as early a return as possible on the resources institutions dedicated to excellent research in their REF 2021 submissions.

Review rationale

9. In 2015, a task and finish group of HEFCW's Council recommended that in the longer term, HEFCW's research funding method should be reviewed in order to ensure that it was more strategically focused on excellence and capacity. At the time, the decision was taken to defer any review of the funding method given the changing landscape of funding. Since then, the following have all had an impact on the research funding landscape in Wales:
 - The Diamond review (2016)¹
 - The Reid review (2018)²
 - The introduction of innovation and engagement funding through the Research Wales Innovation Fund
 - The advancement of Welsh Government plans for the Commission for Tertiary Education and Research, amidst the reforms of Post-Compulsory Education and Training
 - The establishment of UK Research and Innovation

¹ [The Review of Higher Education Funding and Student Finance Arrangements in Wales](#)

² [Review of Government Funded Research and Innovation in Wales](#)

- The UK government has committed to reaching a target of R&D spend reaching 2.4% of GDP
- The UK has left the European Union

In light of these developments and their impacts on the research funding landscape, HEFCW Council agreed a review of HEFCW's research funding methodology was necessary to ensure it would continue to fund sustainable research excellence in the current funding landscape.

10. The current HEFCW methods for QR and PGR formula funding use the results of REF 2014, the most recent completed UK national research assessment exercise. The method is designed to fund sustainable research excellence using definitions and categorisations that derive from the REF 2014 process and its results. Following the Stern review (2016),³ significant changes were made to institutional submissions for the next national research assessment exercise, REF 2021. These and other changes which will underpin the REF 2021 data make prudent a review of HEFCW's funding methods which will draw upon REF 2021 outcomes.
11. In May 2019 HEFCW published its Vision for Research and Innovation in Wales. Built around the four thematic pillars of Excellence, Place, Innovation, and Collaboration, it outlines how HEFCW seeks to work with partners and stakeholders to deliver a thriving a community of challenge, change, and achievement that will meet economic, social, and civic ambitions across Wales, the UK, and the world. HEFCW's research funding method is also being reviewed to ensure it will support delivering [Research and Innovation: The Vision for Wales](#).

Proposed changes: general

12. At present the QR and PGR support streams of HEFCW's funding for research are considered and presented separately. 'QR' and 'PGR' are not well known terms outside the HE sector, reducing the clarity of HEFCW's funding to stakeholders. This does not accord with the practice of some other UK national funding bodies: for instance, in Research England QR and PGR funding streams are presented together as different elements of a single research support funding stream. This situation can create confusion and difficulty in comparing different arrangements across UK nations. To improve clarity and to better represent the totality of recurrent research funding that HEFCW provides to Welsh HEIs, HEFCW is proposing to consistently refer to QR and PGR funding streams together as 'Research Funding' in all HEFCW communications in the future.
13. HEFCW proposes that the new Research Funding stream should aim to do the following:
 - a. Continue to fund sustainable research excellence

³ [Building on Success and Learning from Experience: An Independent Review of the Research Excellence Framework](#)

- b. Have a simpler, more transparent model
- c. Use only data that is collected in the REF or HESA data
- d. Drive the achievement of HEFCW's [Research and Innovation: The Vision for Wales](#).

Stakeholders are being asked to comment on the suitability of these underlying aims and whether there are other factors that HEFCW's Research Funding should take into account.

14. The Diamond and Reid reviews both highlighted that increasing external research grant income (whether UK or international) across the Welsh sector should be an important strategic goal for Welsh government and HEIs: with the removal of EU Structural Fund support, competitive external sources of research income will become proportionally more important in underpinning the financial sustainability of the research sector in coming years. HEFCW explored the possibility of incentivising research grant capture as another underlying aim for the new research funding method. However, the Reid Review (2018) expressly cautioned against using part of the existing QR funding stream for this purpose because it would lead to institutions having insufficient funds to cover the Full Economic Costs of the additional grants and undercut the more pressing recommendation of maintaining mainstream QR funding in real terms. Instead, the review recommended that additional funds be provided for a Future of Wales Fund, to be allocated in proportion to increases in research grant capture, once recommendations on maintaining QR in real terms had been achieved. Therefore, HEFCW does not propose to include a funding stream to reward and incentivise research grant capture in the new research funding method at this time. Stakeholders are asked to comment on this proposal, and on methods for incentivising research grant capture more generally.
15. HEFCW proposes that the new Research Funding allocation should consist of the following three streams:
- a. Research Excellence Framework outcomes: this would be by far the largest stream and would be calculated on the basis of the quality profile and volume of category A submitted staff in each REF submission.
 - b. Charity research income: this stream would be allocated pro rata to institutions' research income from charities, and would help meet the Full Economic Cost of research supported in this manner as charities do not pay overheads on their research grants.
 - c. PGR: HEFCW would continue to contribute to the costs of training for eligible PGR enrolments.

This would entail the removal of the following elements of the existing funding method:

- a. The Research Excellence stream which allocates £6.5m against 4* research only (further information in para 16)

- b. Ring-fenced funding for scholarly publications within the funding formula (further information in para 17)
 - c. Minor volume measures (Research Fellows, Research Assistants, PGR student numbers, charity income) (further information in para 18)
16. HEFCW is proposing to remove the Research Excellence stream which allocates £6.5m against 4* research only because
- a. It will simplify the funding formula
 - b. The REF outcomes stream will use quality weightings to reward research of different standards at different rates. Therefore, production of research of the highest quality will still be rewarded and further allocations towards 4* research only could be considered redundant. Quality weightings are used in the current QR formula. They are: 4* - 3; 3* - 1; 2*, 1*, and u/c – 0. Note that these quality weightings may be different in the new funding methodology: see para 22.

Stakeholders are being asked to comment on the proposed removal of the Research Excellence stream.

17. At present, £132k is ring-fenced within QR for the purpose of supporting scholarly publications and related activities in the fields of Welsh culture, history, and literature. This funding was formerly allocated directly to the University of Wales Press. Since 2011, allocations have been calculated and ring-fenced within institutional QR funding. These allocations were calculated on the basis of Research Council income in 2011 and have not changed since. Discussions with UoW Press and with institutions have confirmed there is a continuing need for this funding, but that the funding could be targeted more effectively. Retaining a ring-fence within the REF outcomes stream in the new funding method would also work against the general principle of reducing complexity. Therefore, HEFCW is removing this ring-fence from the formula funding in the new method, and will explore alternative ways to provide this funding from summer 22/23. **HEFCW will consult on this in autumn 2021.**

18. HEFCW is proposing to remove the minor volume measures for several reasons. First, the requirement to submit all research active staff for REF 2021 has made calculating staff volume more straightforward. Second, removing these minor measures serves the overall aim of reducing the complexity of the formula. Third, it removes some 'double counting' of certain elements of institutions' activities, such as PGR students (in the current formula, a minor volume measure and directly supported through the PGR support funding stream) and charity income (in the current formula, a minor volume measure and directly supported through the £3.3m directed to meeting the FEC of research income from charities). Note that the charity income stream may be different to the current formula (see para 27). Stakeholders are being asked to comment on the proposed removal of these minor volume measures.

Proposed changes: QR/ REF outcomes

19. As outlined in para 15, HEFCW is proposing that the largest funding stream in HEFCW Research Funding will be the Research Excellence Framework outcomes stream, which would replace the existing QR stream.
20. HEFCW is proposing to continue to allocate its core research funding as an unhypothecated funding stream via the operation of a formula. This reflects HEFCW's long term commitment to supporting the development of the research base in Wales, as recommended by the Diamond Review and outlined in HEFCW's Vision. The new stream would be known as the REF outcomes stream, and would distribute by formula the bulk of the funding allocated by HEFCW's new research funding method.
21. HEFCW is proposing to continue to derive its quality and volume measures from the results of the UK national research assessment exercise. The results of the current assessment exercise, REF 2021, should be published in April 2022. This will make these results available for the introduction of the new funding method with the AY 22/23 funding allocations. Stakeholders are being asked for views on the use of REF 2021 results for the research quality and volume measures for the new HEFCW funding method.
22. HEFCW is proposing to continue to use quality weightings in the new REF outcomes formula. These would serve the same purpose as the quality weightings in the current QR formula: to recognise and reward research excellence, as determined by REF results. HEFCW is seeking views on whether the current quality ratings (4* - 3; 3* - 1; 2*, 1*, and u/c – 0) should be retained or adjusted for the new formula. Stakeholders are asked whether HEFCW should retain these quality ratings, and in particular to consider the quality ratings alongside the proposed removal of the Research Excellence ring-fenced stream within current QR which allocates additional funding against 4* research activity only.
23. HEFCW is proposing to update the subject weightings based on the findings of new research into the different costs of research across disciplines that is currently underway in Research England on behalf of the 4 UK national funding bodies. Stakeholders are asked to comment on these proposals.
24. HEFCW's current QR formula includes volume and sustainability thresholds. Full details of these can be found in Annex A. These thresholds aim to ensure that HEFCW's QR funding supports sustainable research activity in HEIs. Continuing to fund sustainable research excellence is an aim of the new funding methodology, which could be pursued through the retention of volume and sustainability thresholds in the new methodology. Stakeholders are asked to comment on the volume and sustainability thresholds, and whether they should be retained in the new formula, given HEFCW's stated aims for the new funding methodology.

Proposed changes: charity research income

25. As outlined in para 15, HEFCW is proposing that a stream of HEFCW's Research Funding be allocated pro rata to institutions' research income from charities, and would help meet the Full Economic Cost of research supported in this manner as charities do not pay overheads.
26. At present (ie for academic year 20/21), £3.3m is ring-fenced within the QR funding stream and allocated to institutions in proportion to research income awarded by charities through open competition in units which meet the QR quality and volume thresholds. This is to contribute to meeting the full economic costs of research funded by charities. Additionally, charity income is used as one of the minor volume measures in the QR formula. At present, £7.7m of the total QR funding is driven by the charity income minor volume measure. Therefore in total around £11m is associated with charity research income, or around 15% of QR for academic year 20/21.
27. HEFCW is proposing to include a funding stream allocated against institutions' charity research income in the new Research Funding method. HEFCW is proposing to set this as a percentage of the total available non-PGR Research Funding (ie REF Outcomes stream plus Charity Research Income). HEFCW is proposing to keep support for charity research income at the same level as is currently provided by the QR ring-fence and the charity income minor volume measure. Therefore HEFCW is proposing that the Charity Income Stream be set at 15% of non-PGR Research Funding. This would be accompanied by not including a minor volume measure for charity income in the REF outcomes formula that will govern the allocation of the majority of HEFCW's core research funding.
28. HEFCW is proposing this new approach to increase the transparency of the level at which HEFCW is supporting charity funded research. It is proposing to maintain it as a % of non-PGR Research Funding to ensure that vital charity funded research continues to be supported in Welsh HEIs. Stakeholders are asked to comment on the proposed method and level of funding of the charity income stream.
29. The charity income stream is designed to help address the issue of low FEC recovery on charity-funded research, and therefore to help bolster institutions' financial sustainability. According to TRAC data for 2018/19, UK institutions recover around 61% of the FEC of their charity-funded research. This is lower than other research funding sources, where FEC recovery rates are higher but still low enough to raise questions over long-term sustainability (eg. Research Councils 72%). HEFCW is asking stakeholders to comment on this issue, and whether there are any additional steps HEFCW could be taking in relation to addressing cost recovery issues for research.
30. HEFCW is proposing to use the same definition of qualifying charity income in the new funding method as the current Research England and Scottish Funding Council definition: charity income from UK, EU, and non-

EU charities (competitive sources only). Stakeholders are asked to comment on the suitability of this definition.

Proposed changes: PGR support funding

31. HEFCW is proposing to change the criteria for eligible PGR enrolments in the PGR support funding stream by removing the time limits for study. This is to reflect the changing patterns of study in the sector, and the increase in demand for flexible study patterns. The change will mean that the method would go from counting full-time at 1 full-time equivalent (FTE) per year for up to three years and part-time at 0.5 FTE per year for up to six years, to using the actual FTE returned by providers with no time restriction. This proposal also follows the findings of Research England (RE)'s [Impact Assessment](#) on their formula and grant funding, which found that time limits on eligible enrolments for PGR support funding may have indirect negative consequences on groups who have certain protected characteristics. As these groups can take longer than others to complete courses, their enrolments could therefore exceed the time limits for eligible funding. This would mean their enrolments would attract no funding from RE's RDP funding scheme, which may lead to institutions viewing recruiting students from this group unfavourably. RE have subsequently removed the time limits of study for eligible PGR enrolments in their RDP funding. Stakeholders are being asked for views on HEFCW's proposal to take the same step in the new research funding method. Note that the PGR support stream does not and is not intended to directly support individual PGR students: the eligible enrolments are used as a volume measure to determine the allocation of available funding by formula.
32. HEFCW is proposing to remove the Units of Funding and replace them in the formula that calculates institutional PGR allocations with the same new subject weightings that will be used in the REF outcomes element of the new research funding method. The new weightings will continue to perform the role within the allocation formula of PGR funding of recognising the differing costs across different disciplines. Using the same weightings across Research Funding formulae will standardise calculations of the differing costs of research in different disciplines across the new funding method and increase transparency and clarity. The weightings would be applied to the FTE and the total funding available allocated pro rata to the weighted FTE. Stakeholders are being asked for views on this proposal.
33. In the current funding method, HEFCW Council establishes the maximum funding available for PGR support each year. This is decided separately to the level of QR funding. One option for the new funding model is to set PGR support funding as a proportion of total available funding, rather than to decide on the amount each year. This would reduce the flexibility of this stream, but would increase consistency and maintain the level of this stream of research funding relative to the REF outcomes and Charity Income streams in future budgets. Stakeholders are asked to comment on this proposal.

Timetable

34. We have developed a timetable outlining our expectations for planning and implementation of the new research funding method. However, this is indicative only, and subject to alteration according to operational needs and unanticipated developments. At present, we anticipate introducing the new funding method for AY 22/23 allocations.

July 2021	Publication of consultation
September 2021	Workshop with HEIs on proposed changes
October 2021	Consultation closes
October 2021	Analysis of consultation responses Results fed into proposal for new funding method
March 2022	Outcomes of consultation published
March 2022	HEFCW Council asked to approve new funding method
April 2022	REF 2021 results published
May 2022	HEFCW Council presented with REF outcomes and allocations using new research funding method
July 2022	HEFCW Council approves funding allocations for AY 22/23

Further information / responses to

35. For further information, contact Ben Raynor (tel 029 2085 9749; email ben.raynor@hefcw.ac.uk).
36. Consultation responses should be submitted to Sheridan Nott (sheridan.nott@hefcw.ac.uk) by **midday on 01 October 2021**.

Assessing the impact of our policies

37. We have carried out an impact assessment screening to help safeguard against discrimination and promote equality. We also considered the impact of policies on the Welsh language, and Welsh language provision within the HE sector in Wales and potential impacts towards the goals set out in the Well-Being of Future Generations (Wales) Act 2015 including our Well-Being Objectives. Contact equality@hefcw.ac.uk for more information about impact assessments.

Annex A: [current method for allocating QR](#)

1. HEFCW allocates QR funding selectively to recognise and reinforce research excellence. The formula and data used to calculate QR funding have remained unchanged since 2015/16. Data used to calculate QR funding since 2015/16 are taken from the 2014 REF and from the 2013/14 HESA student and staff records.
2. Research was submitted to the 2014 REF in 36 subject categories or Units of Assessment (UoAs). The assessment outcomes were expressed in the form of quality profiles which showed the proportion of work in each submission which reached each of four quality profiles. These ranged from 4* (world leading) down to 1* (nationally recognised). Work below the standard of 1* was identified as unclassified (u/c).
3. QR funding focuses on sustainable research excellence. Therefore:
 - We do not include 1* or 2* research in the QR allocation formula
 - We have applied a sustainability threshold (combined quality and volume threshold). This is calculated by multiplying the volume of staff at 3* and 4* in each REF submission by the quality weightings (1 for 3* and 3 for 4*), summing the outcomes to produce a single score for each submission, and then applying a cut-off point for funding. From 2015/16, this cut-off point has been set at a score of 6.0.
 - We also apply a volume threshold, such that departments/UoAs with fewer than 3 Category A FTE of classified work (1* and above) are not eligible for QR.
4. The QR formula itself consists of three elements: **quality**, **volume**, and **subject weightings**.⁴ Weightings are applied within each of these elements as follows:
5. **Quality**: the four levels of the REF quality profile are weighted as follows:
 - 1* - 0
 - 2* - 0
 - 3* - 1
 - 4* - 3
6. **Volume**: this consists of one major volume measure – the Full-Time equivalent (FTE) number of research active staff (Category A staff) returned to the 2014 REF – and a number of minor volume measures. The data for the minor volume measures are taken from the 2014 REF submissions and from HESA data. The volume measures and the weightings attached to them are as follows:
 - Research active staff 1.00

⁴ NB previous HEFCW documentation may refer to these as 'subject cost relativities'. 'Subject weightings' is now used to better reflect that factors other than relative cost data are used to set these weightings.

- Research students 0.15
- Research assistants 0.10
- Research fellows 0.10
- Charitable income (awarded through open Competition) converted into FTE staff numbers 0.25

7. **Subject weightings:** subjects (here defined by REF Units of Assessment, or UoAs) are divided into three bands to reflect their relative costs. The bands and their weights are:

Clinical medicine and laboratory based subjects	1.6
Subjects with a technical/experimental premium	1.3
Other subjects	1.0

8. Allocations are built up by UoA, using the 2014 REF submissions data. Any submissions which do not meet the quality and volume thresholds described above are excluded from the calculation. For all other submissions, the volume measures are weighted by the volume measures described above. The product is multiplied by the relevant subject cost weighting. This is then multiplied by the quality weightings, applied in proportion to the quality profile for the submission.
9. The overall outcomes of the formula calculation are scaled to the total amount of funding available for QR in the year in question.
10. Two elements of the total QR budget are allocated on a different basis:
- An additional £6.1m which was added to QR in 2009/10 is allocated in proportion to 4* quality only. The standard volume and subject weightings are also applied to this element. This was £6.5m in AY 20/21.
 - £3.1m was provided to help institutions meet the full economic cost (FEC) of research funded by charities. This funding is allocated in proportion to research income awarded by charities through open competition in units which meet the QR quality and volume thresholds. This was £3.3m in AY 20/21.
11. QR funding also includes the sum of £132k which was previously allocated to the University of Wales Press. This funding is ring-fenced within QR for the purpose of supporting scholarly publications and related activities in the fields of Welsh culture, history, and literature. Institutions have been notified individually of the amounts which have been ring-fenced within their allocations in this way.

Annex B: [current method for PGR support](#)

1. HEFCW allocates funding to support PGR training in HEIs. Only HEIs are eligible for this funding. Data used in the calculation of the PGR training funding are taken from the most recently available HESA student record at the time of calculating the allocation. For the 2020/21 allocations, the 2019/20 HESA student record data was used.
2. Each year, HEFCW establishes the total funding to be made available for PGR support, together with the standard unit of funding for each of three groups of related subjects. These groups of related subjects are known as Academic Subject Categories, or ASCs. Each ASC has a different unit of funding that is used in the PGR allocation calculation. This is intended to reflect the different costs of PGR training in different academic disciplines.
3. REF UoAs are mapped onto ASCs as follows:

Subject group	ASCs	UoAs
1	1b, 1d	1, 2, 3 (split), 4 (split)
2	1a, 1c, 3, 4, 6	3 (split), 4 (split), 5 to 15, 17 (split), 26 (split)
3	All other ASCs	3 (split), 16, 17 (split), 18 to 25, 26 (split) 27 to 36

4. The current PGR standard units of funding for the different ASCs are as follows:

Academic Subject Category Grouping		Unit of Funding £ per full-time student
1b, 1d	Clinical Medicine and Dentistry	8,444
3, 4, 6	Science; Engineering and Technology; Mathematical Sciences, IT and Computing	2,996
2, 5, 7-10, 11b	Other	1,517

5. Grants for individual HEIs are calculated by applying the standard unit of funding for the relevant ASC to the previous year's qualifying enrolments in that ASC. To be classed as a qualifying enrolment, a student must be:
 - Home and EU fundable
 - Studying for PGR qualifications
 - In a department which is in receipt of QR funding
 - Not incoming exchange
 - Active within the reporting period
 - On the first three years full-time or full-time equivalent of the postgraduate programme of study (note that MPhil students are only fundable for the first two years full-time or full-time equivalent study).

6. Where the total allocations for the sector resulting from the operation of the formula exceed the funding available, a proportion of qualifying enrolments will not attract funding. Funding to institutions for PGR is provided to institutions in the form of a block grant.