



# Guide to research and knowledge exchange funding 2018-19

How Research England allocates its funds

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# Summary

Research England provides funding to English higher education institutions for research and knowledge exchange. This guide is intended for those working in higher education and others who wish to understand our funding methods. It gives an introduction to those methods, but does not provide the full technical definitions and specifications used in our allocation and monitoring processes.

This guide covers:

- how we calculate the amount each institution receives
- the different types of funding we allocate
- the conditions of funding and the requirements institutions must meet to receive funding from us

Every year the Government informs us of the total amount of public funding available for the coming year. We then calculate each institution's share of this funding, based on information they have submitted to us on research-active staff numbers, quality of research and other factors as explained in this guide.



# Introduction

1. Research England distributes Government funding for research and knowledge exchange. This guide explains how we calculate the amount each university receives, the principles that underpin those calculations, and the components of an institution's grant.
2. It is our practice to be open about our allocation methods and policies, and this guide is intended to explain them. It is divided into the following sections:

**The Higher Education and Research Act 2017 (HERA)** has changed the way in which Government funding for higher education and research is allocated. This section provides a short introduction to these changes, while the Act is referenced throughout the document.

**Section 1: Overview** gives a basic summary of how we distribute funding, why we do it this way and how we ensure the money is well spent.

**Section 2: Research England's funding methods** contains more detail about the relevant funding streams and explains our methods and the principles behind them. However, it does not include comprehensive technical details: more information is contained at the end of this guide in the further reading section.

**Section 3: Conditions of funding** contains more detail about the requirements that institutions must abide by in order to receive funding from us. This includes those assurance and accountability measures that institutions must comply with to receive funding.

## Jargon busters

Some terms are explained as 'jargon busters' throughout the document. There is also an explanation of terms and abbreviations near the end of this guide.

3. This guide is part of a suite of documents that accompany the spring 2018 grant announcement. The other documents are:
  - a. a covering letter and grant tables for each institution
  - b. *2018-19 Recurrent research and knowledge exchange funding: technical guidance*, a technical document that explains in detail how the figures in the grant tables are derived.
  - c. *Research and knowledge exchange funding for 2018-19*, which summarises our main recurrent funding and formula capital for 2018-19.
4. All documentation is available on the Research England website<sup>1</sup>.

<sup>1</sup> See [www.ukri.org/re](http://www.ukri.org/re)

# The Higher Education and Research Act

5. In 2017 the Government passed the Higher Education and Research Act (HERA) which has established UK Research and Innovation and the Office for Students (OfS) from April 2018. This Act created a new funding system for research and innovation in the UK. It was the first step towards establishing a new regulatory framework for the higher education sector.

## How has the Act changed who is responsible for Government higher education funding?

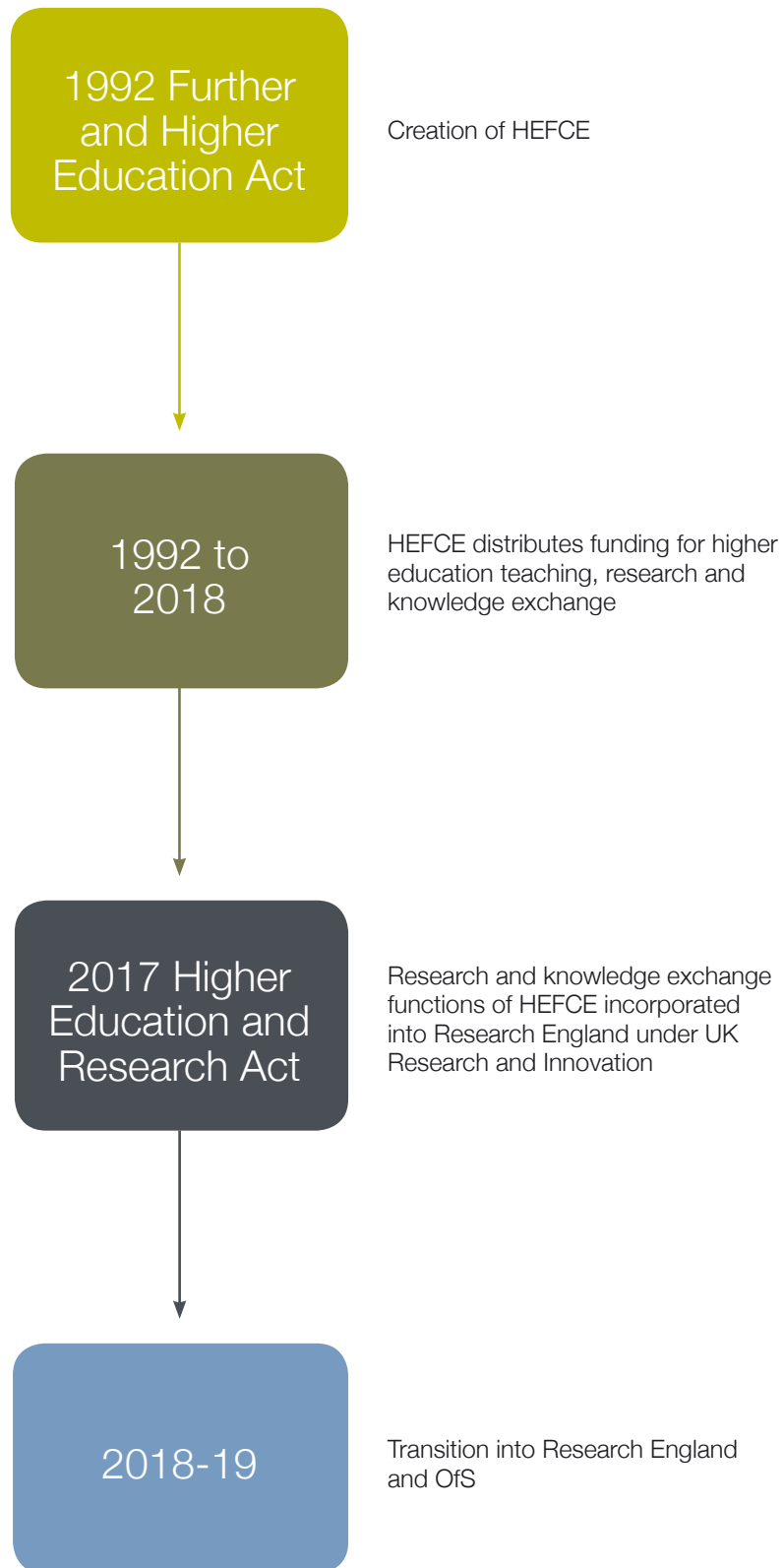
6. UK Research and Innovation comprises nine councils, these are: Research England; the seven disciplinary research councils; and Innovate UK, the UK's innovation agency. More information about UK Research and Innovation can be found at [www.ukri.org](http://www.ukri.org).
7. Research England has taken over the research and knowledge exchange functions for the Higher Education Funding Council for England (HEFCE). This includes responsibility for the Research Excellence Framework (REF, working with the other UK funding bodies), Higher Education Innovation Funding (HEIF), and the UK Research Partnership Investment Fund (UKRPIF).
8. The OfS has taken on the other functions of HEFCE (relating to teaching funding and regulation) and OFFA (Office for Fair Access). More information can be found at [www.officeforstudents.org.uk](http://www.officeforstudents.org.uk). The OfS also contributes money for knowledge exchange and for national facilities and regulatory initiatives.

## When will these changes take place?

9. The regulatory framework created by HERA does not come fully into force until 1 August 2019. During a period of transition from 1 April 2018 to 31 July 2019, Research England will operate and administer research and knowledge exchange funding largely under powers that applied to HEFCE arising from the Further and Higher Education Act 1992.
10. Figure 1 shows the timeline for the transformation in higher education funding.



Figure 1: Timeline for transition process



# Section 1: Overview

11. We are responsible for distributing research and knowledge exchange funding to universities. Our funding for universities does not fully meet their costs: we make only a contribution towards their research, knowledge exchange and related activities.
12. Each year we distribute billions of pounds to English universities. For 2018-19, the total is £2,078 million. We divide the total into money for research and knowledge exchange, funding for national facilities and initiatives, and capital grants.

## Types of funding

13. Money for research and knowledge exchange is referred to as **recurrent funding**, and is by far the majority of what we distribute. Every spring we notify universities of how much recurrent funding they will receive for the coming academic year (1 August 2018 to 31 July 2019). Research England informs institutions of research funding allocations for the 2018-19 academic year via the spring 2018 recurrent research grant announcement.
14. The remainder is referred to as **non-recurrent funding**. It comprises grants for capital projects and other development initiatives, and to support national facilities. These grants include funds designed to provide incentives for institutions which support projects that help us deliver our strategic aims and Government priorities for higher education. These grants are announced as they are allocated, which may be at any time of the year.

Tables 1 and 2 show the breakdown of total Research England grant in 2018-19.

*Table 1: Recurrent grants and funding for national facilities and initiatives for the 2018-19 academic year*

Element of grant	Academic year budgets (£M)
Recurrent research (including GCRF)	1,642
Recurrent knowledge exchange (HEIF)	210
Sub-total recurrent grant	1,852
Funding for national facilities and initiatives	23
Total non-capital grants	1,875

*Table 2: Formula-based research capital grants for the 2018-19 academic year*

Element of grant	2018-19 Budget (£M)
Formula-based research capital	183
National facilities and initiatives	20
Total capital grants	203

<sup>2</sup><https://re.ukri.org/news-events-publications/publications/terms-and-conditions-of-research-england-grant/>



15. Institutions receive most of their research and knowledge exchange funding as a grant that they are free to spend according to their own priorities, within our broad guidelines. They are autonomous bodies that set their own strategic priorities, therefore we do not expect institutions to model their internal allocations on our calculations. However, certain conditions are attached to funding and are specified in our terms and conditions of funding<sup>2</sup>. Further information regarding specific conditions of funding can be found in Section 3 of this guide.
16. Institutions are accountable to Research England (as part of UK Research and Innovation), and ultimately to Parliament – for the way they use funds received from us. As independent bodies, they receive funding from many other public and private sources. This gives them scope to pursue other activities alongside those for which they receive Research England funds.

# Section 2: Research England's funding methods

## 2A Background

### Research England's mission

17. Our mission is to create and sustain the conditions for a healthy and dynamic research and knowledge exchange system in English universities. We do this by providing performance-based, institution-focussed funding to:
  - deliver excellent research and high-performance knowledge exchange
  - unlock potential
  - generate economic and social impact
  - meet local and regional priorities and tackle national and global challenges.
18. This includes a strong focus on high-value, strategic and agile funding streams such as the £1.6 billion quality-related research funding (underpinned by the REF) and the £210 million Higher Education Innovation Fund (HEIF).
19. We want to make the best use of taxpayers' money – prioritising funding where we can get the best value and ensuring that we deliver the Government's policy aims and that institutions are accountable for the money they get, while not creating an excessive burden on them.

### Our funding powers and responsibilities

20. The funding methods described here will apply for the 2018-19 academic year.
21. In broad terms, we can fund research and related activities (such as knowledge exchange) of higher education institutions. We can also fund other organisations that carry out work for the benefit of the higher education sector as a whole. We can pay grants to these other organisations on the basis of expenditure they incur.
22. We provide and administer funding for English universities, using formulaic and non-formulaic methods to divide money between institutions. The majority of our funds are allocated using formulae that take into account certain factors for each institution. This includes the number and type of research-active staff, the amount and quality of research undertaken and the amount of research and knowledge exchange income received.
23. We fund the activities of institutions. We do not directly fund research-active staff, students or research projects.
24. A number of other public bodies fund certain aspects of research undertaken in higher education institutions, as outlined below:
  - a. **Research.** Alongside Research England, the Research Councils provide public funds for research to higher education institutions (and other organisations) to support specific research projects and some postgraduate students.

- b. **Medical and dental education and research.** Government funding for medical and dental education and research is distributed through Research England and the NHS. OfS and Research England-allocated funds underpin teaching and research respectively in university medical schools, while NHS funds support the clinical facilities needed to carry out teaching and research in hospitals and other parts of the health service.
- c. **Loans for tuition fees.** Publicly funded loans to students, including loans available to research masters students, are administered by the Student Loans Company (SLC), which is Government-funded and non-profit-making.
- d. **Knowledge exchange and innovation.** This is funded from the following sources:
  - i. the Research Councils support a range of schemes for knowledge exchange to increase the impact of their funded research
  - ii. Innovate UK funds innovation by businesses
  - iii. universities play a significant role in local growth partnerships and can receive funding to support their knowledge exchange and skills activities
  - iv. funding from the beneficiaries of knowledge exchange in the economy and society provides a significant source of support to many institutions.

25. While we retain the funding responsibility for a wide range of activities, the limitations of our budget mean that we fund only a subset of what is potentially fundable. For example, within research we continue to prioritise funding towards activity that meets a high quality threshold, determined by a periodic assessment exercise.

## Research England recurrent funding

26. The Government sets public expenditure across all departments, by carrying out periodic spending reviews that set expenditure levels for certain years. The most recent spending review in 2015 set public expenditure up to the financial year 2019-20. To inform these spending reviews, we provide confidential advice to Government about the financial needs of higher education.

27. Each year the Government provides guidance to us to confirm our funding available for the next financial year (April to March), and provides an indication of the likely funding available for future years in the spending review period. This guidance also provides an outline of the Government's policy priorities for our funding<sup>3</sup>. We then determine the grants to individual institutions, which we generally allocate on an academic-year basis.

28. The money we allocate for research and knowledge exchange is referred to as 'recurrent funding' and is by far the majority of what we distribute. Generally, institutions may spend this recurrent research funding largely as they choose<sup>4</sup>; they are not expected to mirror our calculations in their own internal spending. This allows institutions to target spending towards their own priorities, as long as these relate to the activities that we are empowered to fund: research, knowledge exchange and related activities. The grant allows institutions to be autonomous and does not impose the burden of accounting in detail for expenditure. The different elements of our budget have different purposes.



<sup>3</sup> See <https://re.ukri.org/finance/guidance-from-beis-to-research-england-for-financial-year-2018-19/>

<sup>4</sup> Exceptions are: HEIF funding which must be used towards knowledge exchange; research funds allocated to the Global Challenges Research Fund (GCRF) must be used to address 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). Allocation of this funding is also subject to the submission and approval of individual HEI-level strategies for the use of QR GCRF.

- a. For **research**, our funding method is designed to target funds where research quality is highest.
- b. **Knowledge exchange funding** is focused in high-performing higher education institutions and aims to achieve maximum impact on the economy and society.

### Jargon busters

**Knowledge exchange:** Knowledge-based interactions between higher education institutions and the economy and society. Universities have considerable knowledge, expertise and assets that are put to use through engagement with businesses, public services, the third sector and communities. Examples include: setting up businesses to develop new technologies grounded in university research; enabling small businesses to use specialist equipment and other facilities; delivery of professional training, consultancy and services; supporting graduates to set up their own business; and contributing to social innovation.

**Recurrent funding:** Yearly allocations aimed at ongoing core activities rather than shorter-term projects.

**Funding for national facilities and initiatives, and capital funding:** Allocations used to secure change or fund activities that cannot be addressed through recurrent teaching or research funding.

## Other Research England funding

29. Other Research England funding comprises grants for capital projects, and funding for national facilities and other development initiatives. These grants are announced as they are allocated, which may be at any time of the year. The purposes for this funding are as follows:
  - a. **Formula capital funding** helps universities invest in their physical infrastructure so it remains fit for purpose.
  - b. **Funding for national facilities and initiatives** is (along with formula-based research capital grants) broadly intended to support the development of the national infrastructure. Funding for national facilities and initiatives supports facilities such as Jisc (which funds development and champions the use of digital technologies in UK education and research).



30. We also support specific activities with dedicated project funding, such as the UK Research Partnership Investment Fund, the Connecting Capability Fund, and the Expanding Excellence in England (E3) fund.

## How do we do it?

31. Each year we divide the total funds between research, knowledge exchange, and other funding, taking account of the guidance from Government. Our recurrent grants to institutions are generally allocated by formula, which means that each institution receives a proportion of funding based on measures such as numbers of staff and the income received by the institution. This ensures we are fair, transparent and efficient in how we distribute grants to institutions.

32. In deciding what we count for funding purposes, it is important to remember that we have a fixed budget provided to us by Government, which does not change in the event of us choosing one measure of activity rather than another. Our concern, therefore, is to ensure that institutions receive an appropriate and fair share of that fixed budget in a way that supports accountability but avoids an excessive burden or unwelcome effects.

33. We therefore choose our measures to reflect factors that are important in higher education, and to take into account the following considerations:

- the extent to which a particular factor can be measured and audited reliably
- the accountability burden on institutions in providing the data
- the extent to which a particular measure will influence the distribution of funding
- the messages and incentives that any particular measure may give to institutions and the behaviours (desirable or undesirable) it might therefore encourage.

34. The measures do not in themselves define what we fund or what our funding should be used for. For example, where a measure relates to activities of specific academic departments the funding may be used to support the activity of institutions more generally, not just the activity within those specific academic departments. We use different measures and methods to calculate funding in research and knowledge exchange.

## 2B Research funding

35. Public research funds are provided to higher education institutions under a balanced funding system<sup>5</sup> known as dual support funding is provided via two routes for two distinct purposes. In England, both branches of the dual support system operate under UK Research and Innovation:
- a. Research England provides funding to ensure that the research base has the capacity to undertake high-quality innovative research, and to contribute to supporting the research infrastructure. With the exception of the Global Challenges Research Fund GCRF, our funds are not allocated to any specific activity – they may go towards the costs of salaries for permanent academic staff, premises, libraries or central computing, among other things. They support fundamental and ‘blue skies’ research completed by institutions, and contribute to the cost of training new researchers. This research is the foundation of strategic and applied work, much of which is later supported by Research Councils, charities, industry and commerce. There are equivalent funding bodies in the devolved nations.
  - b. The Research Councils provide funding for specific programmes and projects. They also provide funding for research studentships. The Research Councils operate across the UK.
36. We aim to target funding where research quality is highest. Our main research funding method distributes grant based on the quality, volume and relative cost of research in different subject areas. Periodically, we review information about the relative costs of different types of activity. These reviews are informed by data provided by higher education institutions on their expenditure in academic departments. The main variation in costs relates to subject. Fields where the relative costs of research are higher attract a higher rate of Research England funding.
37. Since we are committed to promoting excellent research, our research funds are distributed selectively to institutions that have demonstrated the quality of their research with reference to national and international standards. Quality is measured in a periodic exercise known as the Research Excellence Framework.

### The Research Excellence Framework (REF)

38. The REF is a system for assessing the quality of research in UK higher education institutions. This periodic peer-review exercise produces a profile of research quality and numbers of research-active staff submitted for assessment by institutions, across 36 different subject areas. For each submission by an institution to a subject area, quality is assessed for three separate elements covering research outputs, impact and environment, which are combined into an overall quality profile for the submission. The latest exercise was completed in December 2014 and was undertaken by the four UK higher education funding bodies: HEFCE; the Scottish Funding Council (SFC); the Higher Education Funding Council for Wales (HEFCW); and the Department for the Economy, Northern Ireland (DfE). The assessments of quality in REF 2014 have informed research funding from 2015-16. Information about the REF 2014 is available at [www.ref.ac.uk/2014/](http://www.ref.ac.uk/2014/).

#### What is the REF’s purpose?

39. The funding bodies’ shared policy aim for research assessment is to secure the continuation of a world-class, dynamic and responsive research base across the full academic spectrum within UK higher education. We expect that this will be achieved through the threefold purposes of the REF:

<sup>5</sup> The balanced funding principle ensures a reasonable balance of funding between the functions of Research England and those of the Research Councils, *HERA 2017* section 103 (4).

- to provide accountability for public investment in research and produce evidence of the benefits of this investment.
- to provide benchmarking information and establish reputational yardsticks, for use within the higher education sector and for public information.
- to inform the selective allocation of funding for research.

## Recurrent research funding

40. Our recurrent funding in 2018-19 for mainstream quality-related (QR) research, together with its London weighting element, and excluding the Global Challenges Research Fund (GCRF) is £1,050 million. There is a separate additional allocation of £58 million from the GCRF (see paragraph 69).

### Jargon Buster

#### Global Challenges Research Fund (GCRF)

GCRF is funding 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).

41. Two further, separate 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.
42. 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.

### How is recurrent research funding calculated?

43. Our recurrent research funding is known as quality-related research (QR) funding. The main research funding method distributes grant (known as 'mainstream QR') based on the quality, volume and relative cost of research in different areas. Together with its London weighting, mainstream QR accounts for about two-thirds of the total QR funding we allocate.
44. Mainstream QR funding is first separated into three pots, according to the contribution that the three elements of research assessed in the REF make to overall quality profiles (65 per cent for outputs, 20 per cent for impact and 15 per cent for environment).

These pots are then further divided by subject, and finally distributed to institutions. The distribution between subjects and institutions is informed by:

- the **volume of research** (based on numbers of submitted research-active staff)
- the **subject cost weights** (reflecting, for example, the fact that laboratory-based research is more expensive than library-based research)



- the **quality of research** as measured in the REF. For information on how the quality of research is determined see paragraph 49.

45. In addition to mainstream QR, allocations are made to contribute towards other research-related costs. These are as follows.

- QR research degree programme (RDP) supervision fund.** This allocation reflects postgraduate research student numbers in departments that attract mainstream QR funding, the relative costs of the subjects they are studying, quality and London weighting.
- QR charity support fund.** Many charities support research in higher education, particularly in medical disciplines, but they are not always able to meet the full economic costs of research. We therefore provide additional funding to higher education institutions in proportion to the London-weighted income they receive from charities for research.
- QR business research element.** We also provide funding to support higher education institutions undertaking research with business and industry. This is allocated in proportion to the income they receive from business for research.
- QR funding for National Research Libraries.** This is additional support for five research libraries which were designated as being of national importance on the basis of a review in 2007.

## Mainstream QR funding

46. A number of different components are used in our mainstream QR funding method. These are:

- a volume measure
- quality profiles for each higher education institution
- subject cost weights
- London weighting.

### The volume measure

47. The volume measure in our research funding method is the number of research-active staff employed by the higher education institution and submitted to the REF (counted in FTE terms), multiplied by the proportion of research that meets a quality threshold in the REF. This threshold is explained below.

48. The quality ratings and staff volume were determined from the 2014 REF. The volume measure for research determines what we count for funding purposes.

### Quality profiles

49. The 2014 REF reviewed research in all disciplines, divided into 36 subject areas known as units of assessment (UOAs). A two-tier panel structure was used to determine the profile of research quality in each submission. Each UOA was assessed in one of 36 sub-panels, with four main panels (A to D) co-ordinating and advising on the work of the sub-panels in related disciplines. It was for higher education institutions to decide which (if any) academic staff to submit for assessment in these UOAs.

50. For each submission made, the panels determined a quality profile, identifying what proportion of the research met certain quality thresholds. This profile was on a five-point scale:

- **four-star (4\*)** – quality that is world-leading
- **three-star (3\*)** – quality that is internationally excellent
- **two-star (2\*)** – quality that is recognised internationally



- **one-star (1\*)** – quality that is recognised nationally
- **unclassified** – quality that falls below the standard of nationally recognised work.

51. Each overall quality profile is composed from sub-profiles reflecting the three elements assessed in each submission. Each element is given a different weighting towards the overall profile. These elements are:

- the quality of research **outputs** – predominantly publications (65 per cent)
- the social, economic and cultural **impact** of research (20 per cent)
- the research **environment** – the resources and infrastructure that support research (15 per cent).

52. The weighting of impact is due to be adjusted in the next REF from 20 per cent to 25 per cent to balance the focus on impact with the production of excellent research.

53. Figure 2 shows an example of an institutional quality profile identified from the REF.

Figure 2: An institutional quality profile from REF 2014 for UOA3

UOA3 – Allied Health Professions, Dentistry, Nursing and Pharmacy	Percentage of research activity in the submission judged to meet the standard for:					FTE staff submitted:
	4*	3*	2*	1*	U/C	
Overall	49%	44%	5%	1%	1%	52.70
Outputs	40.5%	52.3%	5.3%	1.0%	0.9%	
Impact	58.2%	36.8%	5.0%	0.0%	0.0%	
Environment	70.3%	20.7%	4.1%	4.9%	0.0%	

### Subject cost weights

54. There are three subject cost weights<sup>6</sup>, as shown in Table 3.

Table 3: Subject cost weights

Subject grouping	Weighting
A High-cost laboratory and clinical subjects	1.6
B Intermediate-cost subjects	1.3
C Others	1.0

### London weighting

55. This is 12 per cent for institutions in inner London and 8 per cent for institutions in outer London.

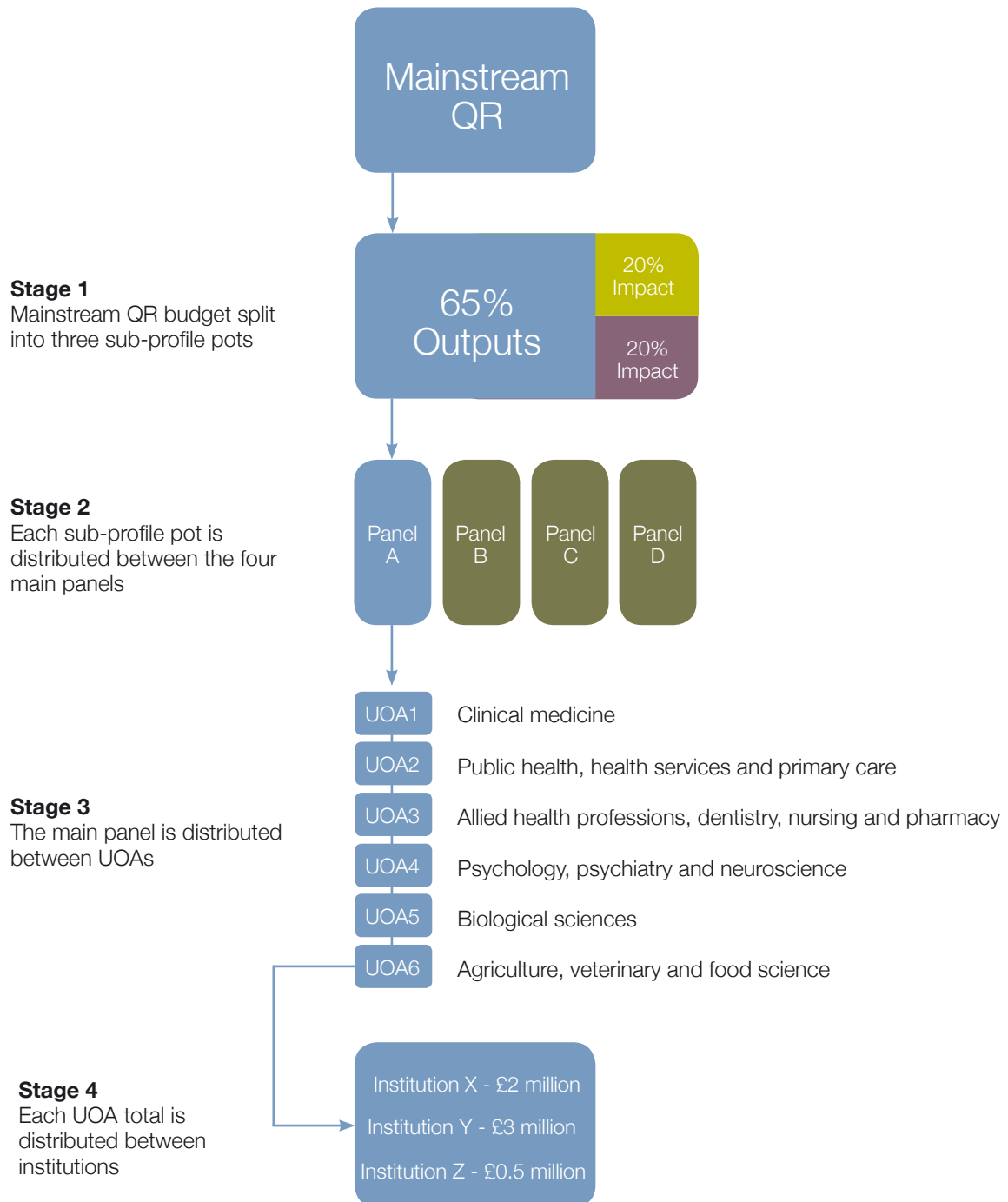
### Calculating mainstream QR funding

56. There are four stages to the allocation of mainstream QR funds (summarised in Figure 4):

<sup>6</sup>UOA4 (Psychology, Psychiatry and Neuroscience) has a cost weight of 1.42 to recognise that about 40 per cent of research in the UOA is high-cost and the other 60 per cent is intermediate-cost.

- **Stage 1** – separating the mainstream QR total into three elements, reflecting the weight given to each sub-profile element in determining the overall quality profile
- **Stage 2** – distributing the three elements between the four REF main panel disciplines
- **Stage 3** – further distributing the main panel totals between the 36 UOAs
- **Stage 4** – distributing the totals for each UOA between higher education institutions.

Figure 3: Allocation of mainstream QR funding



Note: Sizes of allocations are for illustrative purposes only

## Stages 1 and 2: Determining the amount provided for the four main REF panel disciplines

57. The total mainstream QR allocation is separated into funding pots for each sub-profile element. This reflects the weighting given to the elements submitted to the REF in determining the overall quality profile:

- outputs – 65 per cent
- impact – 20 per cent
- environment – 15 per cent.

58. The next stage is to decide the amounts that will be allocated from these separate pots to the main subject panels. The total in each pot is divided in proportion to the volume of research in each panel that met or exceeded the 3\* quality level in the REF, weighted to reflect the relative costs of research in different subjects.

## Stages 3 and 4: Distributing the main panel totals between UOAs and then higher education institutions

59. In the final stages the totals for each main panel are distributed, firstly between its constituent UOAs, and finally between higher education institutions. The shares for each UOA, and within them for each higher education institution, are in proportion to their volume of activity reaching the 3\* and 4\* quality levels in the REF, multiplied by quality and cost weights.

60. In stages 3 and 4, we apply weightings to the volume of research attributable to each quality rating, as shown in Table 4. This ensures that our funding of research is highly selective.

Table 4: Research funding quality weightings

Quality rating (with abbreviated description)	Quality weighting
4* (world-leading)	4
3* (internationally excellent)	1
2* (recognised internationally)	0
1* (recognised nationally)	0
Unclassified (below the standard of nationally recognised work)	0

61. The cost weights used in the funding method for mainstream QR (shown in Table 2) are unchanged from previous years.

62. For UOA17 (Geography, Environmental Studies and Archaeology), we recognise that around half of all the research activity submitted in this UOA could reasonably be regarded as more closely analogous to science. To account for the varying costs in this UOA, we are funding it using the rates of funding per submitted staff FTE used for 2014-15.

## London weighting on mainstream QR

63. We provide London weighting as a percentage of a higher education institution's funding for mainstream QR (see paragraph 55). This is calculated separately after Stage 4.

## **QR Research Degree Programme RDP supervision fund**

64. Funding for RDP supervision is provided on the basis of postgraduate research (PGR) student FTEs in all departments that receive mainstream QR funding for research<sup>7</sup>. These are derived from higher education institutions' HESA data for previous years. When determining RDP supervision fund allocations we calculate a quality score for each department. This consists of the amount of 3\* and 4\* activity as a proportion of total activity at 2\* quality and above in its REF overall quality profile. For each eligible department, PGR student FTEs are subject to London weighting (using the percentages given in paragraph 55), the cost weightings given in Table 2 and the quality score. We then distribute the total available funding in proportion to these weighted FTEs.
65. From 2017-18, the method for counting PGR students that informs QR RDP supervision funding has changed. PGR students are counted only if they are in years 1 to 3 of their full-time study, or in years 1 to 6 of their part-time study, and, as a transitional measure, up to a total 3.0 FTE over a six-year period. This 3.0 FTE limit applies to any single PGR student's research masters and research doctoral study taken together, should they have chosen to do both.
66. We also take account of data that enables us to recognise the contribution of more than one higher education institution associated with a formal collaborative research training programme and, in specific cases, directly fund the different institutions. This is because we recognise that collaborative research training programmes involving more than one higher education institution are increasing in number. Data on these collaborative programmes was captured for the first time on the 2015-16 HESA student record.

## **QR charity support fund**

67. The QR charity support fund is provided to higher education institutions in proportion to the amount of eligible research income from charities reported in their four most recent HESA Finance records, subject to London weighting (see paragraph 55). There is no minimum quality threshold for eligibility for this funding.

## **QR business research element**

68. The QR business research element supports higher education institutions undertaking research with business and industry. The allocation is provided in proportion to the amount of research income higher education institutions receive from industry, commerce and public corporations, using data reported by higher education institutions on their four most recent HESA Finance records. There is no minimum quality threshold for eligibility for this funding.

## **Global Challenges Research Fund (GCRF)**

69. For 2018-19, allocations from the GCRF will be separate from mainstream QR allocations. Allocations from the GCRF will be confirmed in summer 2018 following the conclusion of the process to assess three-year institutional QR GCRF strategies. Details of this process were communicated by HEFCE to eligible higher education institutions in January 2018. GCRF is allocated to institutions, in proportion to their mainstream QR and London weighting funding.

<sup>7</sup> The term 'department' refers to a group of staff and their research activity returned in a single submission within one subject UOA, whether or not this forms a single administrative unit within the institution.

## 2C Knowledge exchange funding

### Jargon Buster

#### HEIF

Higher Education Innovation Funding (HEIF) is the mechanism through which we provide funding for knowledge exchange. It is designed to support and develop a broad range of knowledge-based interactions between universities and the wider world, which result in economic and social benefit to the UK.

### Research England's role in knowledge exchange and Higher Education Innovation Funding (HEIF)

70. Knowledge exchange functions previously administered by HEFCE have transferred to Research England, including funding for knowledge exchange delivered via Higher Education Innovation Funding (HEIF). The HEIF funding supports (and provides incentives for) institutions to work with business, public and third-sector organisations, community bodies and the wider public, with a view to exchanging knowledge and thereby increasing economic and social benefit.
71. Recurrent funding of £210 million is provided for HEIF, of which £163 million is from science and research funding (for which Research England is responsible) and £47 million is from teaching grant (for which OfS is responsible). As such, Research England will be working with the OfS to support their evaluation of the impact of any teaching and student elements of HEIF and to ensure joint agreement of strategic objectives and the criteria for HEIF funding that reflect the teaching elements of knowledge exchange.
72. We aim to target knowledge exchange funding where the greatest positive impact on the economy and society can be achieved, based on higher education knowledge and skills. We use data on the income received by an institution from its users – businesses, public and third sector services, the community and wider public – as a proxy measure for the impact of its knowledge exchange performance.
73. These funds are allocated by formula to all eligible institutions, subject to acceptance by Research England of an institutional strategy for knowledge exchange. Of the £210 million total, we distribute £200 million as a main allocation and £10 million as a supplement for those higher education institutions whose main allocation is capped, to enable their knowledge exchange strategies to be enhanced where there is evidence that the cap on funding is a constraint on their support of economic growth.
74. Allocations are re-calculated annually based on the latest data. This encourages dynamism and to reward recent performance while providing some predictability. Predictability is achieved by moderating year-on-year changes; this provides institutions with a planning assumption to use in drawing up their five-year knowledge exchange strategies and applies for the period of the strategies.




## How is knowledge exchange funding calculated?

75. We calculate allocations for individual institutions by adding together their main knowledge exchange income indicators. This data is collected through the Higher Education – Business and Community Interaction survey, data submitted to the Higher Education Statistics Agency (HESA) and data on knowledge transfer partnerships. Only institutions with evidence of performance above a certain level gain funding. There is also a cap on allocations. Funding is used to create and sustain a range of knowledge exchange activities in response to demand across the economy and society.
76. The key features of our main allocation method for knowledge exchange are as follows:
- a. All funding is allocated on the basis of performance, using a combination of measures of income as a proxy for impact on the economy and society. This aims to achieve the greatest impact from public funding of knowledge exchange. We take account of income over a three-year period, weighted towards the latest year of performance. Income from small and medium-sized enterprises is given a double weighting within this component to signal the importance of working with such businesses and to recognise the higher costs involved.
  - b. There is an allocation threshold for all higher education institutions. Institutions that do not achieve an allocation of at least £250,000 per year through the formula do not receive an allocation. This is intended to ensure that our funding for knowledge exchange is efficient, through the being targeting of institutions with significant knowledge exchange performance and partnerships.
  - c. There is a cap of £3.895 million on individual allocations.
  - d. Year-on-year changes to allocations are moderated so that, subject to being above the minimum £250,000 threshold and below the £3.895 million cap, no institution has a change of more than +30 per cent or -10 per cent compared to their previous year's allocation.
77. The £10 million supplement is split between the higher education institutions at the cap of allocations, based on their shares of qualifying income (calculated according to the main knowledge exchange allocation method), with a minimum allocation of £200,000 and a maximum of £500,000.

## Institutional five-year knowledge exchange strategies and plans for use of HEIF

78. In August 2016, higher education institutions were asked to submit a five-year strategy covering all their knowledge exchange (KE) activities, including use of our knowledge exchange funding. This is a condition of receiving HEIF funding. Strategies are assessed and published to spread good practice and provide assurance of effective use of public funding, and used as the basis for release of future allocations<sup>8</sup>.
79. Last year a commitment was made to increase HEIF to £250m a year by 2020/21, supporting effective engagement between universities and businesses, and enabling the application and commercialisation of university knowledge and research in alignment with the industrial strategy. Towards this commitment, Research England allocated additional recurrent funding in 2017-18 and further additional funding for 2018-19, taking the total allocated from £160 million to £210 million. As these additional funds for HEIF were provided from funds ring-fenced to support delivery of the industrial strategy, and represent a substantial increase in funding since

<sup>8</sup> *Higher Education Innovation Funding (HEIF): Institutional five-year knowledge exchange strategies* (HEFCE 2016/16) sets out in more detail the policies and processes for allocating formula funding for knowledge exchange. See [www.hefce.ac.uk/pubs/year/2016/201616/](http://www.hefce.ac.uk/pubs/year/2016/201616/)



the institutional KE strategies were written, we will be calling for plans for HEIF to supplement existing strategies this spring 2018, to sit alongside the announcement of 2018-19 allocations. Higher education institutions will be expected to include in their plans how they have used 2017-18 allocations (particularly in support of delivering aims set out in the industrial strategy white paper 'ideas' chapter), as well as their intended uses of funds in subsequent years.

80. In 2019 we are likely to call for a new round of strategies, incorporating institutions' plans for the use of HEIF, for the period from 2020-21 onwards. Higher education institutions that newly gain a HEIF allocation in any year of the current period will be asked to submit a strategy in the format set out in HEFCE 2016/16 in the run-up to the next round, together with their plans for HEIF.

## 2D Funding for national facilities and initiatives and capital funding

81. Funding for national facilities and initiatives and formula-based research capital grants is used to secure change or fund activities that cannot be addressed through our recurrent formula funding to institutions.
82. We aim to provide as much as possible of our funding for research and knowledge exchange through recurrent grants. We continually review the level of funding for national facilities and initiatives to ensure that it is justified.

### Funding for national facilities and initiatives

83. We allocate a small proportion of our total funding to support special programmes, promote specific policies and contribute towards additional costs that are not recognised through our recurrent funding methods.
84. This funding includes the Museums, Galleries and Collections Fund which supports museums and galleries in the higher education sector that have research significance beyond their home institution. Funding for national facilities and initiatives also supports work commissioned from some sector bodies, such as Jisc.

### Formula-based research capital

85. Capital grants are additional funding provided by the Government to support sustainable investment in higher education. It totals £203 million for 2018-19. Table 5 shows the breakdown of this total between different capital funding streams.

Table 5: Formula-based research capital grants for 2018-19

Element of grant	2018-19 Budget (£M)
Formula-based research capital	183
National facilities and initiatives	20
Total capital grants	203

86. Formula-based research capital has two elements: HEI Research Capital England and Higher Education Research Capital (HERC) England. Of the total £183 million for RCIF:
- 'HEI Research Capital England', totalling £96 million, will be allocated in proportion recurrent QR funding for 2016-17 and 2017-18 and research income from other (non-Research Council) sources for 2015-16 and 2016-17.
  - '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.

### UK Research Partnership Investment Fund (UKRPIF)

87. The UKRPIF is a fund designed to support investment in higher education research facilities and strategic partnerships at UK higher education institutions that can attract substantial co-investment from private sources. The fund was set up in 2012 and



awards are made through a competitive bidding process. There was no funding for UKRPIF in 2017-18, but funding resumes in 2018-19. £900 million is to be allocated via UKRPIF through to 2021 with private co-investment amounting to at least £2 for every £1 from this total.

## Connecting Capability Fund (CCF)

88. The CCF aims to stimulate strategic collaboration between universities, which enables them to pool expertise, build connecting capacity and share good practice. The fund complements and builds on established HEIF mechanisms. CCF funding of £100 million was allocated through HEFCE from 2017-18. From 1 April 2018, CCF has become the responsibility of Research England. In 2017-18 HEFCE allocated £15 million from CCF through a formula linked with main HEIF allocations. Following this a further £85 million is supporting competitive projects, managed by Research England. The total allocated for CCF projects includes an additional £1.4 million from the Research England HEIF programme which has enabled 18 CCF projects to be supported.

## Expanding Excellence in England (E3) fund

89. Research England is making up to £75 million available through the E3 fund to be allocated between successful applicants over three years (Academic Year 2019-20 to 2021-22). This is based on a two-stage process, assessed via an expert panel. Gateway criterion at the expression of interest stage focus on research excellence, small size, expansion plans and strategic commitment<sup>9</sup>



<sup>9</sup>Further information can be found at <https://re.ukri.org/news-events-publications/news/expanding-excellence-in-england-e3-research-england-announces-a-new-funding-scheme/>

# Section 3: Terms and conditions of funding


## Accountability for funding

90. Institutions need to be accountable for the funding they receive and should also be able to demonstrate more broadly the value they provide. We seek this accountability and influence the behaviour of institutions in a number of ways. These can apply individually or in combination:
- a. **Through the funding method itself.** The way in which we calculate the funding will influence how institutions respond. All other things being equal, institutions may concentrate their efforts on those activities that will increase their income. This means that we need to think carefully about how we fund institutions. We need to consider the desirable behaviours we want to encourage, but equally we need to avoid creating unintended incentives that could lead to undesired behaviours. While the funding method is one means of influencing the sector's behaviour, it is not always the best way of achieving a particular outcome.
  - b. **Through terms and conditions of funding.** These require institutions to behave in a particular way, or provide something specific, in return for the funding. If they fail to do so, their funding may be reduced. We expand on terms and conditions of funding in paragraphs 92 to 97.
  - c. **Through providing information.** Increasing the transparency of what institutions deliver for the funding they receive improves their public accountability.
91. We allocate substantial amounts of taxpayers' money to institutions every year. It is important, therefore, that institutions are well managed and accountable for the funding they receive, and that we are accountable, ultimately to Parliament, for the funding we allocate.

## Terms and conditions of Research England grant

92. Our formal relationship with higher education institutions is governed by the 'Terms and conditions of Research England grant document'<sup>10</sup>. It reflects our responsibility to provide assurances to Parliament that:
- funds provided to us are being used for the purposes for which they were given
  - risk management, control and governance in the higher education sector are effective
  - value for money is being achieved.
93. The terms and conditions set out the mandatory requirements placed on higher education institutions as conditions of grant. The conditions of grant apply for the remainder of the 2017-18 academic year and for the 2018-19 academic year. We may make material revisions to these for future years and, if so, we will consult the sector. It includes details of the recurrent grant that we are providing and of the requirements that higher education institutions are expected to meet in return for their funding.

<sup>10</sup> <https://re.ukri.org/news-events-publications/publications/terms-and-conditions-of-research-england-grant/>

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94. We may make certain elements of our funding subject to specific conditions. For example, when we provide capital grants, we expect them to be spent on the capital projects detailed in institutions' investment plans.
95. Institutions have discretion as to how they internally distribute the funding we provide, except where funding has been earmarked for a specific purpose, and as long as the funding is used to support the activities that are eligible for our funding (research, knowledge exchange and related activities). Terms and conditions include, for example, requirements to:
- make certain data returns, including those that inform our allocations
  - comply with the Quality Assurance Agency (QAA) UK Quality Code for Higher Education as it relates to postgraduate research programmes<sup>11</sup>.
96. The terms and conditions of grant also sets out circumstances under which formulaic changes to recurrent funding allocations may be made. These include recalculations of recurrent grant to reflect the findings of any audits of the data provided by institutions that inform funding.
97. In the same way that vwe have terms and conditions of grant with higher education institutions, so the Department for Business, Energy & Industrial Strategy (BEIS) has a similar formal relationship with us through UKRI. Set out in a framework document, this places requirements on us as a condition of the funding we receive from Government. Further policy guidance and requirements may be set out in the annual guidance letter we receive from the Government.

<sup>11</sup> See [www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code](http://www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code)

# Summary explanation of terms and abbreviations

## **Accountability burden**

The work that institutions must do to demonstrate that they are spending Research England funds appropriately. We strive to achieve a fair balance between minimising this burden and ensuring that public money is properly accounted for.

## **BEIS**

Department for Business, Energy and Industrial Strategy<sup>12</sup>. This is the Government department that provides the research funding which Research England distributes.

## **Capital funding**

Part of non-recurrent funding to help universities invest in their physical infrastructure so it remains fit for purpose.

## **DfE**

Department for Education<sup>13</sup>.

## **FTE**

Full-time equivalent. FTE is a measure of how much work a research-active staff member does over a year, compared with someone working full-time. Someone working full time counts as one FTE, whereas a part-time researcher doing half that amount of work counts as 0.5 FTE. For research funding purposes, the FTE of research-active staff submitted to the REF is used.

## **Funding for national facilities and initiatives**

Allocations used to secure change or fund activities that cannot be addressed through research funding, including support for national facilities, such as museums and galleries and Jisc.

## **Higher education institution**

A Research England-funded university or college of higher education.

## **HEIF**

Higher Education Innovation Funding. This provides funding for knowledge exchange to develop a broad range of knowledge-based interactions between universities and the wider world, which result in economic and social benefit to the UK.

<sup>12</sup>See <https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy>

<sup>13</sup>See <https://www.gov.uk/government/organisations/department-for-education>

## **HESA**

Higher Education Statistics Agency<sup>14</sup>. HESA collects a number of different data returns from higher education institutions. We use data from these returns to inform our funding, and to review the cost weights in our research funding methods.

## **Jisc**

Formerly known as the Joint Information Systems Committee, Jisc funds development and champions the use of digital technologies in UK education and research<sup>15</sup>.

## **Knowledge exchange**

Higher education institutions increasingly engage with businesses, public and third sector services, the community and wider public, transferring or exchanging knowledge with the aim of delivering external impact, such as improving products, services, profitability and so on. This is linked with research and teaching and includes consultancy and advisory work, the creation of intellectual property, the development of academic and student entrepreneurship, and a variety of other activities.

## **Non-recurrent funding**

Funding for national facilities and initiatives and capital funding. It is used to secure change or fund activities that cannot be secured through core research funding.

## **OfS**

Office for Students. A new higher education regulatory and funding body established by the Higher Education and Research Act 2017.

## **PGR**

Postgraduate research.

## **QR funding**

Quality-related research funding.

## **RCIF**

Research Capital Investment Fund.

## **RDP**

Research Degree Programme.

## **Recurrent funding**

Yearly allocations aimed at ongoing core activities.

<sup>14</sup> See <https://www.hesa.ac.uk/>

<sup>15</sup> See [www.jisc.ac.uk/](http://www.jisc.ac.uk/)

## **REF**

Research Excellence Framework<sup>16</sup>. A periodic, peer-review exercise that provides a profile of research quality in UK higher education institutions and the numbers of research-active staff they have submitted for assessment across 36 different subject areas. For each submission by a higher education institute to a subject area, quality is assessed for three separate elements covering research outputs, impact and environment. These are combined into an overall quality profile for the submission. The first REF was completed in 2014 and is used to inform research funding from 2015-16.

## **Research Councils**

The seven UK Research Councils<sup>17</sup> are funded by Government to support research in their fields of interest, both within their own establishments and in higher education institutions. Now operating under UKRI alongside Research England and Innovate UK.

## **UKRI**

UK Research and Innovation. A new research and innovation funding organisation established by the Higher Education and Research Act 2017.

## **UKRPIF**

UK Research Partnership Investment Fund. A fund to support investment in UK higher education research facilities.

## **UOA**

Unit of assessment. Used in the REF to define broad subject areas.

<sup>16</sup> See [www.ref.ac.uk/](http://www.ref.ac.uk/)

<sup>17</sup> [www.ukri.org/about-us/our-councils/](http://www.ukri.org/about-us/our-councils/)

# Further reading

## Research England publications

*Funding for higher education institutions for 2018-19* (Research England Circular letter RE-CL-2018-01)

*Terms and conditions of Research England grant* (Research England Publication RE-P-2018-02)

*Expanding Excellence in England (E3) Fund* (Research England Publication RE-P-2018-01)

These are available at <https://re.ukri.org/news-events-publications/publications/>

## HEFCE Publications

(available at [http://webarchive.nationalarchives.gov.uk/\\*/http://www.hefce.ac.uk/](http://webarchive.nationalarchives.gov.uk/*/http://www.hefce.ac.uk/) under publications)

*Funding for universities and colleges for 2017-18: Board decisions* (HEFCE Circular letter 06/2017)

*Higher Education Innovation Funding: Institutional five-year knowledge exchange strategies* (HEFCE 2016/16)

*Board decisions on changes to QR RDP supervision funding* (HEFCE Circular letter 34/2016)

*Formula capital allocations for teaching and research 2017-18* (HEFCE Circular letter 07/2017)

These are available at [http://webarchive.nationalarchives.gov.uk/\\*/http://www.hefce.ac.uk/](http://webarchive.nationalarchives.gov.uk/*/http://www.hefce.ac.uk/) under 'publications'

## Information on REF 2014

(available at [www.ref.ac.uk](http://www.ref.ac.uk) under Publications)

*REF 2014: Panel criteria and working methods* (REF 01.2012)

*REF 2014: The results* (REF 01.2014)

These are available at [www.ref.ac.uk/publications/](http://www.ref.ac.uk/publications/)

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