

To Executive Chair Research England From BEIS

Science and Research - Funding and priorities

The creation of UK Research and Innovation (UKRI) will see the establishment of Research England to take on responsibilities for supporting higher education providers in England to undertake research and knowledge exchange.

The excellence of the UK's research base is internationally recognised and is crucial in supporting sustainable economic growth and enhanced productivity. The Government has reaffirmed its commitment to the Dual Support system, which has delivered an increasing share of the world's best research, and Quality-related Research (QR) funding remains important to our research success within this system. We value QR's un-hypothecated nature which contributes to a sustainable research system and allows universities to deploy it strategically to build capacity and support the underpinning infrastructure to enable excellent research, including multi and interdisciplinary approaches, to build new and fruitful international collaborations and to respond to global challenges.

The Spending Review settlement for Science and Research and additional funding for R&D announced at Autumn Statement 2016 and Budget 2017 means that we can continue to support research and related training and maintain the balance of funding across dual support. We wish Research England to continue competitive allocations through the selective funding of world-leading and internationally excellent research with impact wherever it is found; to provide selective support for the next generation of researchers; and to support research funding leveraged from external sources such as the charitable and business sectors. Funding allocations for Research England for research, knowledge exchange and research capital for 2018-2019 are set out in the table below (along with indicative budgets for 2019-20) and will enable you to deliver our agenda for research and economic growth.

You should continue collective working within other Councils within UKRI and with the National Academies to address collectively issues such as health of disciplines, public engagement, research integrity and research careers, and with stakeholders across the research system to encourage open research practices, including open access to research outputs and data.

Joined up working between UKRI (including Research England) and the Office for Students (OfS) will be essential to ensure a co-ordinated and strategic approach to the funding and regulation of the higher education system in England. Research England/UKRI should prioritise collaboration with the OfS on areas of shared interest, including: skills; capability and progression; knowledge exchange; the ongoing financial sustainability of HE providers; accountability and assurance; infrastructure funding; building robust evidence and intelligence; and ensuring that the Research Excellence Framework (REF), Teaching Excellence and Student Outcomes Framework (TEF) and Knowledge Exchange Framework (KEF) are mutually reinforcing.

We welcome the progress that you have made in developing the next Research Excellence Framework, with the confirmation during 2017 of the key arrangements for the next exercise, including elements which address the principles and recommendations from Lord Stern's Review, and which recognise the renewed impetus provided by the Industrial Strategy to increase the impact from university research in support of the economy. Research England should continue to work with the Higher Education (HE) funding bodies across the UK on detailed implementation to ensure that the exercise provides robust assessment of the UK HE research base and is completed by the end of 2021.

The UK Research Partnership Investment Fund (UKRPIF) has proved highly effective in developing collaborative research programmes at scale between universities and the private sector. You should continue to monitor effective delivery from current projects and ensure leverage of committed private co-investment amounting to at least £2 for every £1 from the total £900m to be allocated via UKRPIF through to 2021. Research England should continue to take forward your proposals to develop an evaluation framework during 2018-19.

We are providing allocations from the Newton Fund¹ and from the Global Challenges Research Fund (GCRF) for the purposes of investing in cutting edge research that addresses the challenges of economic development and wellbeing faced by developing countries as listed on the OECD DAC list of eligible countries. Research England should make allocations to universities in such a way that they are encouraged to develop research directions which support those purposes. You should continue to implement the GCRF Strategy's approach to provide further assurance on accountability for ODA related spend.

Research England should contribute to the core funding of Jisc and work with the Office for Students (OfS) on the Jisc value for money review for respective funders, and future requirements for Jisc including core funding and support for research priorities (and within UKRI working with other Councils on project funding). The outcome of the review should inform future funding allocations from Research England beyond 2018-19.

Research England should continue to allocate research capital to institutions based on excellence-based formulae. You should continue to implement proposals to provide greater transparency on how it is used and to work with the OfS to develop the overall approach to capital investment in the HE sector, that seeks to maximise the value from overall public investment into HE infrastructure, and that monitors effective utilisation through collaboration and the sustainability of HE research infrastructure.

Research England will assume responsibility from HEFCE for the School of Advanced Studies (SAS) and the Institute of Zoology (IoZ). Funding for these activities will be provided from the Department for Education (DfE) HE teaching grant budget for 2018 -19 and 2019-20. Future funding responsibility will move to BEIS from the next Spending Review. Working with relevant discipline experts within UKRI, Research England should undertake a review of future funding for SAS and for IoZ, drawing on external advice, and working closely with BEIS/DfE, who will provide joint oversight. These reviews should consider a range of factors

¹ Allocations may take place in-year.

including value for money, national priorities and appropriate future funding arrangement options and requirements, including the funding levels in 2019-20.

Industrial Strategy: Research Commercialisation and Collaboration with Business

The government's Industrial Strategy confirmed the important role of the research base in supporting our economy and future prosperity. Effective university collaboration with industry and the application of research provides a notable competitive advantage for the UK and will help to rebalance economic growth and to tackle the productivity challenge. This is supported with £7.2 billion of additional investment in Research and Development through to the end of 2022. Detailed allocations to UKRI reflect our commitment to the "balanced" funding principle and include additional funding for Research England for research and knowledge exchange. This funding uplift should be allocated to support delivery of objectives under the "Ideas" pillar of the Industrial Strategy and to complement investments made through other Councils in UKRI.

The Government is committed to a strategic, long term approach to knowledge exchange. The Industrial Strategy confirmed the important role that Higher Education Innovation Funding (HEIF) plays in supporting effective university-business engagement and confirmed Government's commitment that funding through HEIF should reach £250m a year by 2021, as recommended in Sir Andrew Witty's Review. This increase will be aligned to support delivery of objectives under the "Ideas" pillar of the Industrial Strategy by enhancing the capacity of universities in England to work with business and to commercialise their research. The OfS will be responsible for the teaching and student elements of HEIF via the £47m Teaching Grant contribution to HEIF. Research England within UKRI should work with the OfS to support their evaluation of the teaching and student elements of HEIF and ensure joint agreement of strategic objectives and the criteria for HEIF funding that reflect the teaching elements of knowledge exchange. This arrangement will be supported by a Memorandum of Understanding between DfE and BEIS to provide governance and accountability for this funding, and will be underpinned by the collaboration agreement between UKRI & the OfS, which reflects the expectation for collaborative working between the OfS and Research England within UKRI on HEIF strategic objectives and criteria. We would like you to continue to pursue a robust outcome-based funding approach demonstrating value for money, balancing predictability in funding with more regular rewards for dynamism.

Autumn Statement 2016 provided £100 million over the period 2017-21 for the "Connecting Capability Fund" to support universities working together across England on the commercialisation of research and working with business. We welcome the progress you have made to allocate funding which complements and builds on established HEIF mechanisms. You should continue to monitor effective delivery of activities and projects supported through CCF.

To encourage our universities to be ever more effective and competitive in the creation, transmission and exploitation of knowledge for the economic and social benefit that this brings to the country, Ministers have asked the Executive Chair of Research England to consult with the sector and advise on the development of a new Knowledge Exchange

Framework (KEF). This should bring together a comparable range of measures of effective collaboration and knowledge exchange to assess how well universities in England are doing at fostering knowledge exchange and research commercialisation. This should build on and complement the continuing work of the knowledge exchange steering group led by Professor Trevor McMillan, including the proposed KE Concordat. The KEF should sit alongside the Research Excellence Framework and the Teaching Excellence and Student Outcomes Framework, providing a holistic view of how universities are delivering their overall mission. Ministers have requested that Research England issue a consultation on the Framework in Spring 2018, with the implementation of the KEF to take place from Autumn 2018.

We welcome your continued support on behalf of both UKRI and the OfS for the work of National Centre for Universities and Business (NCUB), which we see as a key driver of enhanced university/business engagement activity, including the delivery by NCUB of an “Intelligent Brokerage Tool”, which is intended to increase the volume, quality and intensity of university-business interactions and successful collaborations across the UK. We welcome the progress made with the launch of Konfer in November 2017, and we support your work, with colleagues across UKRI, to realise the full value of the online platform and determine the appropriate scale of resource and support going forward.

The Industrial Strategy also recognised the important role that “place” plays in supporting innovation and productivity growth, Research England within UKRI (and working closely with Innovate UK) should lead on the development and implementation of the £115m “Strength In Places Fund” announced in November 2017. A separate, specific budget has been allocated to UKRI for this.

Efficiency

We must ensure that the HE sector uses resources for research and knowledge exchange efficiently and effectively. We would like Research England to continue to work with the OfS and with sector bodies on implementation of the recommendations of Sir Ian Diamond’s reviews of efficiency and effectiveness, and institutional reporting on how they are achieving value for money. Research England should work with the OfS to produce an annual report on efficiency and value for money at the sector level.

Budget Allocations

The table below shows allocations for Research and knowledge Exchange for the Spending Review period. This includes indicative funding for 2019-20 onwards, except allocations for UKRPIF and CCF which is confirmed through to FY 2020-21.

£m	HEFCE	Research England	
	2017-18	2018-19	2019-20 Indicative
Recurrent grant for Research including contribution to core HEIF	1,719.65	1,653.43	1,708.32
Contribution from GCRF	40.91	54.75	62.98
Contribution from Newton	0	TBC	TBC
Connecting Capability Fund	15.00	25.00	30.00
National Productivity Investment Fund (NPIF) including uplift to HEIF	40.31	88.28	155.19
Total Programme ESA10 CDEL	1,815.88	1,821.46	1,956.48
HEI Research Capital England	97.79	116.33	116.56
Higher Education Research Capital (HERC) England	86.87	86.87	86.87
UK-RPIF	12.17	132.73	105.00
Total Capital CDEL	196.83	335.93	308.43
Contributions from HE Teaching Grant from DfE			
Recurrent Teaching contribution to HEIF - attributable to OfS		47.00	47.00*
Contribution to SAS and IoZ		10.70	10.70*

* Subject to modification as agreed between DfE and BEIS

In addition to the above, Research England will be responsible for administering the budget for “Strength in Places Fund” on behalf of UKRI.

Research England budgets are ring-fenced for their intended purposes to support research and knowledge exchange, and these should not be used to fund other activities without the Department’s approval. This direction is not intended to create any barriers to the continuation of effective co-operation between Research England and OfS where that co-operation allows for the smooth continuation of approaches adopted by HEFCE prior to 1st April 2018. Some allocations are funded from specific BEIS ring-fences (e.g. the HEIF uplift/Connecting Capability Fund allocations, which are within the NPIF/AS16 ring-fence; and GCRF), and Research England should aim to manage within the relevant ring-fence where possible.

BEIS

31 March 2018