



**Research
England**

Circular letter

Funding for 2020-21

To	Heads of Research England-funded higher education providers
Reference	RE-CL-2020-06 (REVISED)
Publication date	31 July 2020
Enquiries to	General queries to annualfunding@re.ukri.org

Dear Vice-Chancellor or Principal

Funding for higher education providers for 2020-21

1. This circular letter sets out our decisions on recurrent funding for higher education providers (HEPs) for academic year 2020-21, and on capital funding for financial year 2020-21.
2. Decisions on funding are delegated from the Chief Executive Officer of UK Research and Innovation (UKRI) to me as Executive Chair of Research England (RE).¹ The Executive Chair acts with the endorsement and support of the RE Council.
3. Alongside this letter we have published the allocations letter to UKRI from the Department for Business, Energy and Industrial Strategy (BEIS), which sets out the overall budgets and government priorities for RE in financial year 2020-21.
4. Following a period of consultation with sector representative bodies, a lightly revised set of terms and conditions for 2020-21 will be published by the 1 August 2020.

¹ Research England (RE) is a council of UK Research and Innovation (UKRI), a non-departmental public body with responsibility for research and innovation funding in the UK, established by the Higher Education and Research Act 2017. <https://www.ukri.org>

5. We plan to publish HEPs' recurrent and formula capital grants for 2020-21 in mid-August 2020.
6. Due to the timing of this grant announcement, for August 2020 we will pay HEPs the same amount that they were paid in August 2019 for Quality-related research (QR) funding (excluding the Global Challenges Research Fund/GCRF) and the Higher Education Innovation Fund (HEIF) and adjust the monthly payment profiles accordingly once final 2020-21 allocations have been calculated.
7. Unless specified otherwise, all figures in this letter relate to academic years (August to July).

Budget decisions for 2020-21

8. The UKRI allocations letter from BEIS confirmed the funding available to RE for the 2020-21 financial year (April to March). The letter also identified the policies and priorities that should underpin our approach to funding.
9. In the light of that correspondence, and with endorsement of the RE Council, we have set budgets for recurrent grant and funding for national facilities and initiatives for the 2020-21 academic year (Tables 1 and 2) and budgets for formula capital grant for the 2020-21 financial year (Table 3). Further detail about these allocations is provided below.
10. In making budget decisions for the 2020-21 academic year, we have made a reasonable assumption for the value of recurrent research funding for financial year 2021-22. Any future changes to the grant made available by Government could affect the funding we are able to distribute to HEPs in the 2020-21 academic year, and this may include revising allocations after they have already been announced.
11. We will not change the previously announced 2019-20 academic year recurrent grant allocations for research and knowledge exchange. However, we reserve the right to revise allocations for other reasons, for example, if we find that terms and conditions of grant have not been met or that formula allocations have been informed by incorrect institutional data.

Table 1: Recurrent grants and funding for national facilities and initiatives for the 2020-21 academic year compared with 2019-20

Element of grant	Academic year budgets (£M)	
	2019-20	2020-21
Quality-related research (excluding GCRF)	1,629	1,629
Accelerated QR	100	0
Additional budget from the National Productivity Investment Fund (NPIF, allocated as QR)	36	107
Recurrent knowledge exchange (HEIF)	213	230
Strategic Priorities Fund	29	29
National facilities and initiatives	38	40
Total non-capital grants	2,045	2,035

Note: Figures exclude funding for the Connecting Capability Fund (CCF), the Research England Development Fund and University Enterprise Zones. Figures may not sum to the total due to rounding differences.

2020-21 recurrent funding for research

12. Core QR funding is maintained at the same level in 2020-21 as in 2019-20. Additional funding was provided in 2019-20 by an allocation of Accelerated QR of £100 million, and by £36 million of NPIF. In 2020-21 the additional funding is increased to £107 million of NPIF of which £97 million will be allocated in proportion to mainstream QR (including London weighting), and £10 million in proportion to QR business research funding. Subject to the Comprehensive Spending Review (CSR) 2020 outcomes we intend to baseline this increase in QR business research funding, indicating our commitment to strengthened business/university collaborations being at the heart of economic recovery

13. The table below shows the allocations to QR.

14. The allocation from the GCRF is 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 (OECD) Development Assistance Committee's (DAC) list of eligible countries. Although we have

an indicative allocation for 2020-21, the actual allocation will be announced later as the budget is yet to be finalised.

Table 2: Budgets for individual elements of QR funding

Element of QR grant	Academic year budgets (£M)		
	2020-21	Additional funding for 2020-21	Total funding
Mainstream QR funds (including London weighting)	1,095	97	1,192
QR Research Degree Programme (RDP) supervision funds	260	0	260
QR charity support funds	204	0	204
QR business research funds	64	10	74
QR funds for National Research Libraries	7	0	7
Total QR funds	1,630	107	1,737

Figures may not sum to the total due to rounding differences.

15. RE will continue to allocate £29 million of the UKRI Strategic Priorities Fund (SPF) to HEPs for 2020-21, with the aim of investing in new interdisciplinary programmes and to help solve pressing public policy challenges.
16. As for previous years, £11 million will be allocated to the School of Advanced Studies (SAS) and the Institute of Zoology (IoZ) for 2020-21. This amount is not included in Table 1.

2020-21 funding for knowledge exchange (KE) through the Higher Education Innovation Fund (HEIF)

17. Last year Government announced its commitment to increase knowledge exchange funding to £250 million in academic year 2020-21. The total recurrent formula allocations for knowledge exchange in 2020-21 allocated through HEIF has increased to £230 million. This total includes £47 million which is provided from the Office for Students' (OfS) teaching grant to support student and teaching elements of KE through HEIF for the 2020-21 allocations. The upper cap on main allocations will be increased from £3.895 million to £4.285 million and the maximum year-on-year increase will be +15 per cent, all other formula parameters will remain the same as 2019-20. The remaining £20 million of the budget will contribute to the Research England Development (RED) fund total.

2020-21 formula-based research capital grants

18. The allocations letter from BEIS to UKRI shows total formula-based capital grants of £204 million. The Executive Chair has agreed research capital grant budgets for 2020-21 as shown in Table 3.

Table 3: Formula-based Research Capital grants for 2020-21 financial year

Element of grant	2020-21 Budget (£M)
Formula-based research capital	184
National facilities and initiatives	20
Total capital grants	204

Figures may not sum to the total due to rounding differences.

19. We provide capital grants on a financial-year basis and thus require capital grants for 2020-21 to be spent in full by 31 March 2021. We will announce the distribution to HEPs of formula-based research capital allocations alongside the detail of recurrent allocations in mid-August. Our general approach is to keep changes to the formula method to a minimum. We will therefore implement the following:

- Formula-based research capital will continue to comprise two separate elements:

- i. 'HEI Research Capital England', totalling £97 million, will be allocated in proportion to 2018-19 and 2019-20 recurrent QR funding and research income (for the same two years) from other selected (non-Research Council) sources.
- ii. 'Higher Education Research Capital (HERC) England', totalling £87 million, will continue to be allocated in proportion to research income from Research Councils, reflecting finance data for the most recent three years.

Further information

20. Any questions about this letter should be addressed to annualfunding@re.ukri.org.

Questions about research or knowledge exchange specifically should be addressed to researchpolicy@re.ukri.org or kepolicy@re.ukri.org respectively.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Sweeney', with a long horizontal stroke extending to the right.

David Sweeney
Executive Chair