Research England:
how we fund higher education providers

Supporting healthy and dynamic research and knowledge exchange in HEPs
About this booklet

Research England provides funding to English higher education providers (HEPs) for research and knowledge exchange. This booklet gives an introduction to our funding methods, covering:

- how we calculate the amount that each HEP receives
- the components of a HEP’s annual grant
- the different types of funding that we allocate.

Detailed information about the full technical definitions and specifications used in our allocation and monitoring processes, plus the conditions of funding and requirements that HEPs must meet to receive funding from us, can be found on our website re.ukri.org.

Our website also lists the amounts of funding allocated each year – both the total, and a breakdown by HEP.

There is more information about our mission, the activities that our funding supports and the impact of that investment, on our website.

Clarifications:
Some technical terms and abbreviations are explained throughout the document.
Research England’s mission

Our mission is to create and sustain the conditions for a healthy and dynamic research and knowledge exchange system in English HEPs.

We do this through providing performance-based, HEP-focused 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.

This includes a strong focus on high-value, strategic and agile funding streams such as quality-related research funding underpinned by the Research Excellence Framework (REF) and support for knowledge exchange via the Higher Education Innovation Fund (HEIF).

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. We also make sure that HEPs are accountable for the money they get, but without creating an excessive burden on them.

Research England is part of UK Research and Innovation (UKRI), along with the seven discipline-focused research councils and Innovate UK, which funds innovation by businesses. There is more information about UKRI and its component parts at www.ukri.org
Our funding powers and responsibilities

The funding framework that gives us our powers and responsibilities was created by the 2017 Higher Education and Research Act.

In broad terms, we can fund research and knowledge exchange activities of HEPs. We can also fund other organisations that carry out services in relation to research or knowledge exchange in eligible HEPs.

We provide and administer funding for English HEPs, using formulaic and non-formulaic methods to divide money between HEPs.

The majority of our funds are allocated using formulae that take into account certain factors for each HEP. This includes the number of eligible academic staff, the amount and quality of research undertaken and the amount of research and knowledge exchange income received.

We have funding responsibility for a wide range of activities, but the limitations of our budget mean that we fund only a subset of what is potentially fundable. For example, we prioritise research funding towards activity that meets a high quality threshold.

Although we distribute funding, it is the Government that sets public expenditure for higher education as it does across all its departments, by carrying out periodic spending reviews that set expenditure levels for certain years. We provide confidential advice to the Government about the financial needs of higher education, to inform its decision making.
How we fit into the research funding system

In England, public research funds are distributed to HEPs under a balanced funding system known as ‘dual support’, because funding is provided via two routes for two distinct purposes:

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. Most of our funding is not allocated to any specific activity – it may contribute towards the costs of salaries for permanent academic staff, premises, libraries or central computing, among other things. It supports fundamental and ‘blue skies’ research conducted by HEPs, and contributes 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 each of the UK’s devolved nations.

b. Seven discipline-specific **research councils** provide funding to support specific programmes and projects, and some research students. The research councils operate across the UK.

Other public bodies also distribute government funding to support various other aspects of higher education research and knowledge exchange:

- **Medical and dental research.** While government funding for medical and dental research in HEPs’ medical schools is distributed through Research England, the National Health Service supports the clinical facilities needed to carry out research in hospitals and other parts of the health service.
Loans for tuition fees. Publicly funded loans to students, including loans available to research masters students and research doctoral students, are administered by the Student Loans Company (SLC), which is government-funded and non-profit-making.

Knowledge exchange and innovation. Public funding for this comes from a variety of sources:

- The research councils support a range of schemes for knowledge exchange to increase the impact of their funded research.
- Innovate UK funds innovation by businesses and some HEPs through partnership schemes such as Knowledge Transfer Partnerships.
- HEPs play a significant role in local growth partnerships and can receive funding through them to support knowledge exchange and skills activities.

HEPs also receive other income from many sources. For example, funding from the beneficiaries in the economy and society provides a significant source of support for knowledge exchange activities in many HEPs.
Types of funding provided by Research England

Each year the Government provides guidance to us to confirm our funding available for the following 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.

Having been informed of the total available, we then determine the grants to individual HEPs for research and knowledge exchange, which we generally allocate on an academic year basis. Each year we divide the total funds between research, knowledge exchange, and other funding, taking account of the guidance from the Government.

We provide the following types of funding:

**Recurrent funding**

This grant is allocated annually by formula to HEPs for research and knowledge exchange.

It is called ‘recurrent funding’ because it re-occurs, at relatively stable levels, from year to year.

It is by far the majority of what we distribute.

It comprises two elements with different purposes:

- For **research**, our funding method is designed to target funds where research quality is highest.

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**Funding on an academic year cycle: how it works.**

* Percentage varies each year; figures shown here are for illustration only.
Non-recurrent funding comprises:

- **Knowledge exchange funding** aims to achieve maximum impact on the economy and society by supporting and rewarding HEPs with significant knowledge exchange performance and partnerships.

**Non-recurrent funding**

The remainder of our funding is referred to as ‘non-recurrent’ because these grants are announced as they are allocated, which may be at any time of the year.

They include funds designed to provide incentives for HEPs which support projects that help us deliver our strategic aims and Government priorities for research and knowledge exchange in the higher education sector.

- **Funding for national facilities and initiatives.** This annual grant supports the development of the national infrastructure.

- **Formula capital funding.** This helps HEPs invest in their physical infrastructure and is allocated by formula.

- **Dedicated project funding.** This is for specific activities and includes the UK Research Partnership Investment Fund (UKRPIF), Knowledge exchange funding aims to achieve maximum impact on the economy and society by supporting and rewarding HEPs with significant knowledge exchange performance and partnerships.

**Types of Research England funding.**

<table>
<thead>
<tr>
<th>Recurrent funding</th>
<th>Non-recurrent funding</th>
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<tr>
<td>Quality-related research funding (see p11-12)</td>
<td>Higher Education Innovation Fund (see p19-22)</td>
</tr>
<tr>
<td>Formula research capital funding (see p24)</td>
<td>Dedicated project funding (see p24-26)</td>
</tr>
<tr>
<td>Funding for national projects and initiatives (see p23)</td>
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</tr>
</tbody>
</table>
the Connecting Capability Fund (CCF), the Expanding Excellence in England (E3) Fund and the International Investment Initiative (I3) Fund.

All of these funds are currently fully allocated to projects and closed to new applications. We also distribute project funding through the Research England Development (RED) Fund, which provides annual funding for projects that particularly focus on delivering innovative or novel approaches to research and knowledge exchange. All of this funding is allocated either competitively or selectively, based on specific criteria for each individual fund.

**The balance between types of funding**

The yearly allocations of recurrent funding support ongoing core activities rather than shorter-term projects. Meanwhile, other funding streams are used to secure change or support activities that cannot be addressed through our recurrent research funding or the teaching funding that HEPs receive from other sources.

We aim to provide an effective balance between recurrent and other funding, so we continually review the balance to ensure that it is justified.
Recurrent funding for research

What is recurrent research funding for?
Generally, HEPs may spend their recurrent research funding largely as they choose; they are not expected to mirror our calculations in their own internal spending. (The exception is the Global Challenges Research Fund and there is more information about this below.)

This allows them to target spending towards their own priorities, so long as these relate to the activities that we are empowered to fund: research, knowledge exchange and related activities. It enables HEPs to be autonomous and does not impose a burden of accounting in detail for expenditure.

We are committed to promoting excellent research so we target funding where research quality is highest. We therefore allocate grants based on the quality, volume and relative cost of research in different subject areas.

Quality is measured in a periodic exercise known as the REF, which we administer on behalf of all four devolved higher education funding bodies (see www.ref.ac.uk/2014 for more information).

Because of its focus on quality, our recurrent research funding is known as quality-related research (QR) funding.

Types of QR
There are six elements of QR allocation:

a. Mainstream QR. This is based on the quality, volume and relative cost of research in different areas, and accounts for about two-thirds of the total QR funding we allocate.

b. 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.

c. 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 HEPs in proportion to the London-weighted income they receive from charities for research.

d. QR business research element. We also provide funding to support HEPs undertaking research with business and industry. This is allocated in proportion to the income they receive from business for research.

e. 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.
The Global Challenge Research Fund. This 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).

How we allocate QR funding
Each HEP receives a proportion of funding based on measures such as numbers of staff and income received by the HEP. This ensures we are fair, transparent and efficient in how we distribute grants to HEPs.

We have a fixed budget provided to us by the Government, which does not change just because we choose one measure of activity rather than another. Our concern is to ensure that HEPs receive an appropriate, fair share of that fixed budget, in a way that supports accountability but avoids an excessive burden or unwelcome effects.

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 HEPs in supplying 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 HEPs and the behaviours (desirable or undesirable) it might therefore encourage.

These measures do not, though, 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 research activity of HEPs more generally, not just the activity within those specific academic departments.

Mainstream QR funding
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 (more details below).

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

- the volume of research based on numbers of submitted research-active staff
- the quality of research as measured in the REF
- subject cost weights reflecting, for example, that laboratory-based research is more expensive than library-based research
- London weighting to reflect the higher costs incurred by HEPs in London.
The volume measure
The volume measure in our research funding method is the number of research-active staff employed by the HEP and submitted to the REF (counted in full time equivalent (FTE) terms), multiplied by the proportion of research that meets a quality threshold in the REF. This threshold is explained below.

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
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) coordinating and advising on the work of the sub-panels in related disciplines. It was for HEPs to decide which (if any) academic staff to submit for assessment in these UOAs.

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.

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).

The weighting of ‘impact’ will go up to 25 per cent in the next REF (REF 2021) to balance the focus on impact with the production of excellent research; the weighting of ‘outputs’ will be reduced to 60 per cent.

The next figure is an example of a HEP quality profile identified from the REF.
Example HEP quality profile from REF 2014 for UOA3.

<table>
<thead>
<tr>
<th>UOA3 – Allied Health Professions, Dentistry, Nursing and Pharmacy</th>
<th>Percentage of research activity in the submission judged to meet the standard for:</th>
<th>FTE staff submitted:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4*</td>
<td>3*</td>
</tr>
<tr>
<td>Overall</td>
<td>49%</td>
<td>44%</td>
</tr>
<tr>
<td>Outputs</td>
<td>40.5%</td>
<td>52.3%</td>
</tr>
<tr>
<td>Impact</td>
<td>58.2%</td>
<td>36.8%</td>
</tr>
<tr>
<td>Environment</td>
<td>70.3%</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

Subject cost weights.

<table>
<thead>
<tr>
<th>Subject grouping</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>A High-cost laboratory and clinical subjects</td>
<td>1.6</td>
</tr>
<tr>
<td>B Intermediate-cost subjects</td>
<td>1.3</td>
</tr>
<tr>
<td>C Others</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Subject cost weights
There are three subject cost weights, as shown above.

In addition, UOA4 (Psychology, Psychiatry and Neuroscience) has a cost weight of 1.6 to recognise that a substantial proportion of research in this UOA is high-cost and the rest intermediate-cost.

Periodically, we review information about the relative costs of different types of activity. These reviews are informed by data provided by HEPs on their expenditure in academic departments.

London weighting
This is 12 per cent for HEPs in inner London and 8 per cent for HEPs in outer London.

Calculating mainstream QR funding
There are four stages to the allocation of mainstream QR funds (summarised in the diagram overleaf):

- **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 HEPs.
**Allocation of mainstream QR funding.**

**Stage 1**  
Mainstream QR budget split into three sub-profile pots

**Stage 2**  
Each sub-profile pot is distributed between the four main panels

**Stage 3**  
The main panel is distributed between UOAs

**Stage 4**  
Each UOA total is distributed between HEPs

*Note: Sizes of allocations are for illustrative purposes only.*
Stages 1 and 2: Determining the amount provided for the four main REF panel disciplines

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.

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 HEPs

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

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

### Research funding quality weightings

<table>
<thead>
<tr>
<th>Quality rating (with abbreviated description)</th>
<th>Quality weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>4* (world-leading)</td>
<td>4</td>
</tr>
<tr>
<td>3* (internationally excellent)</td>
<td>1</td>
</tr>
<tr>
<td>2* (recognised internationally)</td>
<td>0</td>
</tr>
<tr>
<td>1* (recognised nationally)</td>
<td>0</td>
</tr>
<tr>
<td>Unclassified (below the standard of nationally recognised work)</td>
<td>0</td>
</tr>
</tbody>
</table>

The cost weights used in the funding method for mainstream QR (shown in the table on page 14) are unchanged from previous years.

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.
Allocating London weighting on mainstream QR

We provide London weighting as a percentage of a HEP’s funding for mainstream QR (see above). This is calculated separately after Stage 4.

QR RDP supervision fund

Funding for RDP supervision is provided on the basis of FTE postgraduate research (PGR) student numbers in all departments that receive mainstream QR funding for research. These are derived from HEPs’ Higher Education Statistics Agency (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 same percentages as for mainstream QR), the cost weightings given in Table 3 and the quality score. We then distribute the total available funding in proportion to these weighted FTEs.

We also take account of data that enables us to recognise the contribution of more than one HEP associated with a formal collaborative research training programme and, in specific cases, directly fund the different HEPs. This is because we recognise that collaborative research training programmes involving more than one HEP are increasing in number. Data on these collaborative programmes was captured for the first time on the 2015-16 HESA student record.

Clarification: department

The term ‘department’ means a group of staff and their research activity returned in a single submission within one subject UOA, irrespective of whether this forms a single administrative unit within the HEP.

Clarification: PGR student counting method

The method of counting research students that will inform QR RDP supervision funding for 2020-21 onwards will be modified by removing the FTE limit and year limit per student. The revised method will capture the student FTE within the latest available HESA Student Record without imposing limits on the individual student’s total FTE or the number of years of study they have undertaken.
QR charity support fund
The QR charity support fund is provided to HEPs in proportion to the amount of eligible research income from charities reported in their four most recent years’ finance data (HESA Finance Record and Office for Students Annual Finance Return), subject to London weighting (the same percentages as mainstream QR). The research income has to have been awarded openly and competitively. There is no minimum quality threshold for eligibility for this funding.

QR business research element
The QR business research element supports HEPs undertaking research with business and industry. The allocation is provided in proportion to the amount of research income HEPs receive from industry, commerce and public corporations, using data reported in their four most recent years’ finance data (HESA Finance Record and Office for Students Annual Finance Return). There is no minimum quality threshold for eligibility for this funding.

QR funding for National Research Libraries
Five HEPs receive supplementary funding because they have libraries designated as National Research Libraries (NRLs). The criteria for designation as an NRL are:
- have a unique collection or critical mass of rare material
- make a significant and essential contribution to the national research base
- incur associated costs beyond which the host HEP could be expected to bear
- have a track record of high quality services to external users.

Global Challenges Research Fund (GCRF)
Allocations from the GCRF are separate from mainstream QR allocations. GCRF is allocated to HEPs in proportion to their mainstream QR and London weighting funding. Allocation is subject to the submission and approval of individual HEP-level strategies for the use of the funding. We monitor to ensure GCRF is used for the purposes it is allocated.
Recurrent funding for knowledge exchange

The Higher Education Innovation Fund (HEIF) is the mechanism through which we provide annual funding for knowledge exchange.

What is knowledge exchange recurrent funding used for?
HEIF is designed to support and develop a broad range of knowledge-based interactions between HEPs and the wider world, which result in economic and social benefit to the UK.

It supports and provides incentives for HEPs 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.

Working with the Office for Students
A proportion of HEIF is provided by the Department for Education. We therefore work with the Office for Students, which oversees teaching funding, to ensure joint agreement of priorities and policies for HEIF funding that reflect the student and teaching elements of knowledge exchange.
How we allocate HEIF

HEIF is allocated by formula to all eligible HEPs. HEPs can only receive HEIF allocations if we are satisfied that they are being used for eligible purposes, focussed on key priorities and being managed properly. We check this through our accountability and monitoring regime, which for the period 2020-21 to 2024-25 is outlined in RE-P-2020-3 - HEIF Policies and Priorities. The main requirement is that HEIF should be spent in support of knowledge exchange, and should support delivery of government priorities, particularly the key foundations of the Industrial Strategy, around “Ideas”, “People” and their role in supporting “Place”. HEIF should also support all important aspects to the contribution of universities to COVID-19 crisis and recovery, such as place and civic contributions and may play a part in addressing the Government’s levelling up agenda.

HEIF can also support the vital role of students in delivering knowledge exchange in pursuit of these priorities, while also recognising that students themselves may benefit through, for example, enhanced employability prospects.

To target knowledge exchange funding where it can support higher education knowledge and skills to have the greatest positive impact on the economy and society, we only give HEIF to HEPs with evidence of significant knowledge exchange performance and partnerships. To judge this, we use data on the income received by a HEP 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 activities.

We calculate allocations for individual HEPs by adding together their main knowledge exchange income indicators. This data is collected through:

- data that HEPs submit to HESA in the Higher Education – Business and Community Interaction (HE-BCI) Survey
- other financial data from the HESA Finance Record and Office for Students Annual Finance Return.
- data on knowledge transfer partnerships from Innovate UK.

Criteria for approval of an accountability statement for knowledge exchange.

- Strategically led long term plan for HEIF aligned to government priorities
- Sound management of knowledge exchange activities
- Appropriate use of HEIF

Approvable accountability statement
**Features and parameters of the HEIF formula.**

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>Support for a broad range of knowledge exchange activities across all subjects which result in economic or societal impact.</td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td>Formula funding released against a high-level accountability statement on use of HEIF. Annual monitoring of spend and progress.</td>
</tr>
</tbody>
</table>
| **Data used to calculate allocations**  | • HE-BCI Contract Research  
• HE-BCI Consultancy  
• HE-BCI Equipment and facilities  
• HE-BCI Regeneration  
• HE-BCI Intellectual property income  
• HESA Finance Record Non-credit-bearing course income  
• Innovate UK Knowledge Transfer Partnerships income  
*Note: SME income double weighted where data is available* |
| **Data years and weighting**            | Allocations recalculated annually using the three most recent available years of data, weighted 2:3:5.                                                                                                         |
| **Threshold (minimum allocation)**      | HEPs that do not achieve an allocation equal to or higher than a threshold get no allocation at all.                                                                                                         |
| **Cap (maximum allocation)**            | Cap on maximum allocation per HEP.                                                                                                                                                                          |
| **Moderation**                          | Annual transition so no HEP (subject to being above the minimum threshold, and below the maximum allocation) sees its allocation increase or decrease by more than a set percentage of its allocation. Ordinarily this is ±10%, although this may be varied depending on total funds to allocate. |
| **Top-up allocations**                  | Allocated pro-rata between those HEPs on the maximum allocation (although awards are calculated with a minimum and a maximum to provide effective incentives for all HEPs on the cap). There are no transitional modifications, and the top-up is not considered as part of the HEP's core allocation from which future years are calculated. |

¹ Parameter values may be subject to change and are confirmed each year in the Research England annual funding allocations: https://re.ukri.org/finance/annual-funding-allocations/
We take account of income over a three-year period, weighted towards the latest year of performance, providing a balance between stability and dynamism. Income from small and medium-sized enterprises (SMEs) is given a double weighting within this component, to signal the importance of working with such businesses and to recognise the higher costs involved.

There is an allocation threshold for all HEPs: if the allocation calculated by the formula for a HEP is lower than this threshold, they will not receive any allocation at all. This is intended to ensure that our funding for knowledge exchange is efficient, by targeting it to HEPs with the most significant knowledge exchange performance and partnerships.

There is a cap on individual allocations, so that no one HEP receives a level of funding that disadvantages others. Where there is evidence that the cap is a constraint on a HEP’s support of economic growth, we provide a supplement to enable their knowledge exchange activities to be enhanced. The supplement is based on the HEP’s shares of qualifying income (calculated according to the main knowledge exchange allocation method).

Allocations are re-calculated annually based on the latest data, to encourage dynamism and to reward recent performance. But we also moderate year-on-year changes so that, subject to being above the minimum threshold and below the cap, no HEP has a change in allocation greater than the notified amount. This gives HEPs a level of predictability so that they can use HEIF strategically. Ordinarily this annual modifier is set to +/-10 per cent compared to the previous year’s allocation although the upward modifier may vary to take into account new funds.

For full details of the policies, priorities and accountability processes for HEIF, see RE-P-2020-3: HEIF Policies and Priorities.
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.

For example, the Museums, Galleries and Collections Fund supports museums and galleries in the higher education sector that have research significance beyond their home HEP. For a full list of recipients, see our website re.ukri.org.

Funding for national facilities and initiatives also supports work commissioned from some sector bodies, such as Jisc (www.jisc.ac.uk) which funds development and champions the use of digital technologies in UK education and research.

The University of Oxford's Ashmolean Museum of Art and Archaeology, founded in 1683, is one of several museums supported by Research England funding for national facilities and initiatives.
Formula-based research capital
Capital grants are additional funding provided by the Government to support sustainable investment in higher education. It has two elements:

- **HEI Research Capital England**, allocated in proportion to the two most recent years’ recurrent QR funding and research income from other (non-research council) sources.

- **Higher Education Research Capital (HERC) England**, allocated in proportion to the three most recent years’ research income from research councils.

UK Research Partnership Investment Fund (UKRPIF)
The UKRPIF funds higher education research facilities and strategic partnerships at UK HEPs that can attract substantial co-investment from private sources.

Awards are made through a competitive bidding process. There have been six rounds of UKRPIF since it was established in 2012, with private co-investment amounting to at least £2 for every £1 from the fund.

The last round of funding was allocated in the 2017-18 academic year for projects due to complete at the end of 2021, with no plans for a further round at present.

The UKRPIF helped fund the University of Manchester’s Graphene Engineering Innovation Centre. The facility supports the application and commercialisation of graphene, a highly versatile material with the potential for a great number of purposes such as biomedical tissue implants, superfast semiconductors or ultra-fine water filtration systems.
**Connecting Capability Fund (CCF)**
The CCF supports HEPs in commercialisation, stimulating strategic collaboration between HEPs, enabling them to pool expertise, build connecting capacity and share good practice.

The fund complements and builds on established HEIF mechanisms. Set up in 2017-18, it was allocated by formula for its first year but is now allocated through competition. The latest round of funding has been fully allocated.

**Expanding Excellence in England (E3) Fund**
E3 supports the strategic expansion of small-scale, excellent research units and departments.

It is allocated through a two-stage process, based on an expert panel's assessment of research excellence, small size, expansion plans and strategic commitment. All funding from the first round was fully allocated and currently there are no plans for any further rounds.

**International Investment Initiative (I3) Fund**
I3 is a competitive fund that helps HEPs expand existing research collaborations with universities and research organisations outside the UK. We have worked with Universities UK International on the development and delivery of I3.

All funding from the first round was fully allocated in 2019-20, with no plans at present for any further rounds.

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*Investment from E3 has enabled the Natural Resources Institute at the University of Greenwich to expand collaborations with universities in Africa, addressing food and nutrition security in less developed countries.*
**Research England Development (RED) Fund**

The RED Fund supports projects that aid the development and interaction of the UK’s higher education research and knowledge exchange activity in line with government and UKRI priorities.

It is selectively allocated by assessment and focuses on innovative approaches, collaboration, risk-sharing, sustainability and projects that look to:

- demonstrate additionality to achieve wider societal and economic benefits beyond those of a HEP’s setting
- share learning about effective approaches around the higher education sector
- deliver activities that are unable to be supported through any other means.

**Specialist Institutions**

In the 2020 Budget the Government announced an investment of £80m funding in specialist institutions over five years, in recognition of their excellence and global reach. We will work with the Office for Students during 2020-21 to establish the best approach for allocating this funding to ensure their continued contribution to the economy and society.