



SFC Announcement

Additional funding for research and innovation in 2018-19

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Summary: Announcement of additional funding for research and innovation in AY 2018-19 through increases to the Research Excellence Grant and University Innovation Fund.

FAO: Principals/Directors, Finance Directors, Chairs and Board Secretaries of Scotland's universities.

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Additional funding for research and innovation in 2018-19

Purpose/Summary

1. I am writing to announce additional funding for research and innovation in Academic Year (AY) 2018-19. The additional funding, arising from Barnett consequentials, has been allocated through increases to the Research Excellence Grant and University Innovation Fund.

Background

2. In her most recent letter of guidance to the Scottish Funding Council (SFC) in April 2018, the Minister for Further Education, Higher Education & Science reiterated the Scottish Government's high level strategic objectives, including internationally competitive and impactful research and effective knowledge exchange and innovation between universities and colleges and industry.
3. The Minister wrote:

"I expect the Funding Council to ensure that this [REG] is used to maintain world-leading research ... in our universities"

and

"It is important that the UK Industrial Strategy and the emerging [UK Research & Innovation] UKRI deliver for the whole of the UK including Scotland. I look to the SFC to support universities in collaborations with businesses and other partners across Scotland to maximise the emerging opportunities, including levering in additional UK competitive funding for research and innovation in Scotland."

Barnett consequentials

4. Under a longstanding arrangement, the annual block grants from the UK Government to the devolved administrations are calculated using the 'Barnett' formula. Spending increases in devolved areas by the UK Government result in funding "consequentials" being calculated by that formula and added to the block grant for devolved administrations, including the Scottish Government.
5. As part of the planned overall UK National Productivity Investment Fund in the period to 2020-21, there have already been significant increases in the allocation of funding to Research England. The increases have partly arisen from the 'balanced funding principle' in research being applied to UKRI Research Council funding and partly as a direct consequence of the UK Government's Industrial Strategy funding.

6. The Barnett consequentials arising from the increased Research England budget for Financial Year (FY) 2018-19 amount to an additional £11.6 million, and Scottish Ministers have, for the first time ever, approved allocating these consequentials for research and innovation to Scottish universities via SFC. This should be seen as a temporary increase in funding allocations for this year. There is no guarantee that Scottish Ministers will make a similar decision in future years.
7. The increased funding allocations set out in this announcement are subject to confirmation by the UK Government in its 2018 Autumn Budget. Should there be a reduction in the amount of additional funding added to SFC's Resource Budget, we may have to reduce the amount of additional funding provided.

Additional funding for research and innovation

8. The Scottish Government has agreed that these funds should be used in the university sector to support partnership with:
 - UKRI, in supporting Scotland's research excellence.
 - Scottish-based businesses, to maximise the use of academic excellence and the opportunities offered by the UK Government's Industrial Strategy Challenge Fund, in order to contribute to inclusive economic growth in Scotland.
9. SFC is using the existing mechanisms of the Research Excellence Grant (REG) and the University Innovation Fund (UIF) to deploy this £11.6 million uplift in funding for the twin purposes agreed by the Scottish Government, with the additional funding split 55/45% across REG/UIF respectively.

Increased REG

10. REG funding for AY 2018-19 will increase by £6.4 million (2.7%); from £236 million as set out in the Final Outcome Agreement Funding announcement in May, to £242.4 million.
11. This increase in funding will make a sizeable contribution to the maintenance and development of research excellence in Scotland's universities. Specifically, it will help to support the pressure on the use of REG as match-funding in the dual-support system arising from increased UKRI Research Council budgets; thereby strengthening the sector's research base, reinforcing its partnership with the Research Councils and enhancing Scotland's international reputation and ability to forge overseas research links, pre and post-Brexit.
12. Excellence remains the cornerstone of SFC's research funding policy and therefore we have made a modest adjustment to the REG formula in order to further recognise the highest quality research. Specifically, we have adjusted

the ratio of quality response in the REG (A) component from 3:1 to 3.3:1 when responding to 4* and 3* research assessment in the Research Excellence Framework (REF) respectively.

13. Whilst this adjustment rewards high quality research, it does so without reducing any university's REG allocation, with almost all universities seeing an increase for AY 2018-19 as a result of this announcement.
14. Table B2 from the Final Outcome Agreement Funding announcement, showing individual REG allocations for universities in AY 2018-19, has been revised to reflect the budget uplift and is attached as Annex A.

Increased UIF

15. The UIF budget for AY 2018-19 will increase by £5.2 million (38.8%); from £13.5 million as set out in the Final Outcome Agreement Funding announcement in May, to £18.7 million.
16. The UIF was introduced to bring SFC's long-term formulaic investment in the knowledge exchange, innovation support and outreach capacity of universities into an outcome-focussed, collaborative framework compatible with the Outcome Agreement approach around which our support for universities is structured.
17. The advent of the UK Industrial Strategy presents a further opportunity for Scottish universities to make a considerable impact on the Scottish economy, including its public sector and third sector, in partnership with the sizeable funds available from the associated UK Industrial Strategy Challenge Fund (ISCF). The collaborative approach by Scottish universities, encouraged by the UIF framework, is well suited to the large-scale opportunities of the ISCF. We therefore expect this additional funding to further the UIF partnership approach; a distinguishing feature of the Scottish university sector.
18. Table 6 from the Final Outcome Agreement Funding announcement, showing grants for research and innovation (including UIF) in AY 2018-19, has been revised to reflect the budget uplift and is attached as Annex B. We have distributed the additional funding for UIF proportionally across all universities already in receipt of UIF.

Conditions of grant

19. The increased funding allocations in the announcement are awarded for one year and are not guaranteed to be retained into AY 2019-20 or subsequent years. Evidence of the value of sustained and increased investment in both REG and UIF will be helpful in understanding the potential value of retaining the increase into future academic years.

20. The additional funding allocations set out are subject to the following conditions of grant:

Research Excellence Grant

21. Universities are asked to provide more detailed illustrations of the ways in which they are using REG to support research excellence (current and emerging) and how it is being used in partnership with UKRI Research Council, research charity and similar funding. Universities should provide such examples in the form of case studies and other data which gives a similar illustration of the impact of SFC's investment in REG. This information should be in a publishable form.

We would suggest that two to three pages of material should be sufficient to assist SFC in our understanding, with fewer or marginally more as the level of research activity in your university dictates. The summary of current examples should be prepared to be part of the Outcome Agreement self-evaluation submission to SFC in October 2018 and should be considered as part of the Outcome Agreement process.

University Innovation Fund

22. For the UIF, we expect universities to provide a statement to SFC on:
- What they expect to achieve with increased UIF in AY 2018-19, in terms of industrial collaboration, public sector collaboration and third sector collaboration.
 - Their expectation for AY 2018-19 of the leverage they will achieve, individually and in collaborations they lead, from ISCF and other UK sources, supported by the increased UIF.
23. Universities are also encouraged, in the context of the above predicted achievements, to consider how the existing work underway and in development, both at institutional and collaborative level, to deliver the UIF outcomes could be enhanced through this enhanced funding.
24. These statements should be provided as part of a revised UIF institutional submission for AY 2018-19. It should increase the submission by no more than two pages and be sent to Fiona Bates (fbates@sfc.ac.uk), copying to your Outcome Agreement Manager at SFC, no later than 17 September 2018.

Acceptance of grant

25. Universities are invited to formally accept this offer of additional funding under the terms and conditions set out by writing to Graeme Scotland, Senior Budgeting & Reporting Officer, email: gscotland@sfc.ac.uk.

Further information

26. Should you require any further information, please contact your SFC Outcome Agreement Manager or Dr Stuart Fancey, Director of Research & Innovation, tel: 0131 313 6559, email: sfancey@sfc.ac.uk.

A handwritten signature in black ink, appearing to read 'J. Kemp', with a stylized flourish at the end.

John Kemp
Interim Chief Executive