

Research Excellence Grant

- This paper invites the Committee to discuss proposals on the principles and allocation of Research Excellence Grant drawing on previously discussed finding of the short life Working Group (RKEC/21/18) and the consultation responses as set out in previous paper RKEC/22/02.

Recommendations

The Committee are invited to:

Mitigation

- Endorse the executive's proposal that AY2022/23 allocations should be based on REF2021 results and use of the amended REG formula with suitable mitigation measures;
- Discuss and provide advice on those mitigation measures.

Principles

- endorse the executive's proposal to maintain the current balance of funding between REG and RPG.
- comment on the proposed amendments to the principles and supporting text.

Allocation

- consider the proposal to proceed with dividing the REG(a) budget in the same proportions as the REF rating sub-profiles (60% Outputs, 25% Impact and 15% Environment) and allocating these shares of the REG(a) budget by reference to REF sub-profile quality scores.
- note the variance of consultation responses regarding quality weightings;
- note the Working Group's advice to delay a final decision/ recommendation on the level of weighting until there is greater clarity on REF 2021 results
- agree that the executive should continue to carefully model the impact of changes to ensure that any changes made to the model did not have unintended consequences when combined with the REF results
- discuss the Working Group advice and consultation responses and endorse the proposal not to amend the income sources used in the allocation of REGb.
- advise the executive on balance of allocation across REG a, b and c.

Financial implications

- Assuming a seven year period between research assessments, at 2021-22 prices, decisions on the funding model are likely to influence up to £1,701,000,000 over a seven year period.

Publication

- This paper will be published on the SFC website.

Research Excellent Grant

Purpose

1. This paper invites the Committee to discuss proposals on the principles and allocation of Research Excellence Grant drawing on previously discussed finding of the short life Working Group (RKEC/21/18) and the consultation responses as set out in the previous paper RKEC/22/02.

Background

2. In June 2021 (RKEC 21/11) RKEC agreed that a short life working group, chaired by Professor Yellowlees and consisting of RKEC members with an observer from Universities Scotland, should be established to:
 - examine the principles of REG and RPG in light of the findings of the Review of Coherent Provision and Sustainability and developments in the UK landscape since 2014 before;
 - examining the allocation method in light of the above and in response to changes in REF.
3. At its meeting of 28 October 2021 the Committee considered in detail the short life Working Group's recommendations on REG. The Committee endorsed the proposed Research Excellent Grant principles with minor amendments and agreed proposals for a sector wide consultation. The Committee also noted the potential need for mitigation of volatility in REG allocations arising from REF 2021.
4. The consultation was circulated to the sector on 11 November 2021 with a deadline for responses of 12 January 2022. RKEC paper RKEC/22/02 summarises responses.
5. The Committee are now invited to consider the Working Group recommendations and consultation responses to advise on the way forward.

Delay/ Mitigation

6. The consultation noted the existing, COVID-related, delay in REF and the resulting delay in REG allocations. (It also noted the potential for further delays in the REF results, although this now seems unlikely.) Views were sought on the implications of a delay in introducing funding changes until 2023-24 and on approaches to mitigating any significant changes in allocations, noting that SFC would expect to take action to avoid any destabilisation if necessary.
7. Responses to both these questions covered similar ground, highlighting the importance of stability and ability to plan for both upward and downward

movement in allocations. A clear majority expressed a desire that any delay or transition in full implementation of changes be time sensitive and limited to as short a time as practicable, the majority who expressed a preference stating no more than two years.

8. As we are now relatively confident that there will be no further delay to REF2021, the executive propose that the clear intention should be that REG allocations for 2022-23 are informed by REF2021 results, this would be in line with what we understand to be the intention in rUK. Changes to the REG formula should also be implemented for AY 2022-23. This may require mitigation or a transitional period to ensure the sector is not subjected to significant volatility at short notice.

Previous mitigation approaches

9. After RAE 2008, two institutions received 'transitional' funding for two years, to allow them to adjust to the reduced research funding allocation that resulted from relatively poor RAE 2008 performances. This was funded through unallocated strategic funding.
10. In AY2015-16 a variety of factors, including inclusion of SRUC in REG, in addition to REF 2014 results and changes to REG resulted in a larger number of institutions receiving reduced allocations. This would have had a significant effect on a small number of institutions and so changes were phased. There were two years of transition, AY2015-16 and AY2016-17, with full implementation in AY2017-18. Changes were implemented by one third in each year.

Potential mitigation approaches

11. As reported in RKEC/21/18 the short life Working Group highlighted that institutions rely on REG as a long-term, stable source of research funding which they can use flexibly to develop and support excellent research. Volatility in REG allocations, especially over short timescales, may impact on institutions' sustainability. In order to protect the research base (and jobs) the Working Group recommended the potential need for and approaches to mitigation. A suggestion emerging from their discussion was that downward change as a result of this work should be limited to no more than 2% of total institutional income from all sources in a single year.
12. There was little consensus emerging from consultation responses although one alternative with some support was for a single transition year in which changes were phased in such a way that no institution received a greater than 10% reduction in their REG allocation for AY2022/23 with changes fully implemented from AY2023/24.

13. Two per cent of total income is a greater threshold than 10% of AY 2021-22 REG (likely to be around three times greater on average).
14. Any such mitigations would need to be funded from within the existing REG pot and therefore would impact on institutions receiving upwards changes.
15. The sector has requested both early indication of the level of funding for REG and assurance that there will be transitional arrangements. The Committee are therefore asked to make recommendations today for discussion at the Finance Committee meeting on 25th February for communication to the sector as soon as possible.

Recommendations

16. The Committee are invited to:
 - Endorse the executive's proposal that AY2022/23 allocations should be based on REF2021 results and use of the amended REG formula with suitable mitigation measures;
 - Discuss and provide advice on those mitigation measures.

Balance of funding between REG and RPG

17. The consultation sought views on the balance of funding between REG and RPG noting that the proposed development of a more distinct presence for Research Postgraduate Grant provides the opportunity to consider the balance between SFC's two core research grants. In AY 21/22 SFC is investing £242.9M through REG and £36M through RPG.
18. Overall, consultation responses noted the demand for increased funding for both grants and while there was support for increasing RPG there was not substantial appetite for this to occur at a cost to REG.
19. The executive do not therefore propose to alter the balance of funding between REG and RPG at this stage.

Recommendation

20. The Committee are invited to endorse the executive's proposal to maintain the current balance of funding between REG and RPG.

Research Excellence Grant

Principles

21. At its meeting of 28 October 2021 the Committee discussed and endorsed the draft REG principles proposed by the short life Working Group with minor

amendments. The consultation sought sector views on the proposed principles in the consultation. Responses were largely supportive, with a few minor proposed amendments. The draft principles are set out in Annex A with proposed changes highlighted in red.

22. The amendments include the addition of 'predictable' in the first principle and an additional bullet point highlighting REG's role in supporting equality and diversity through a positive research culture.

Recommendation

23. The Committee are invited to comment on the proposed amendments to the principles and supporting text.

REG allocation model

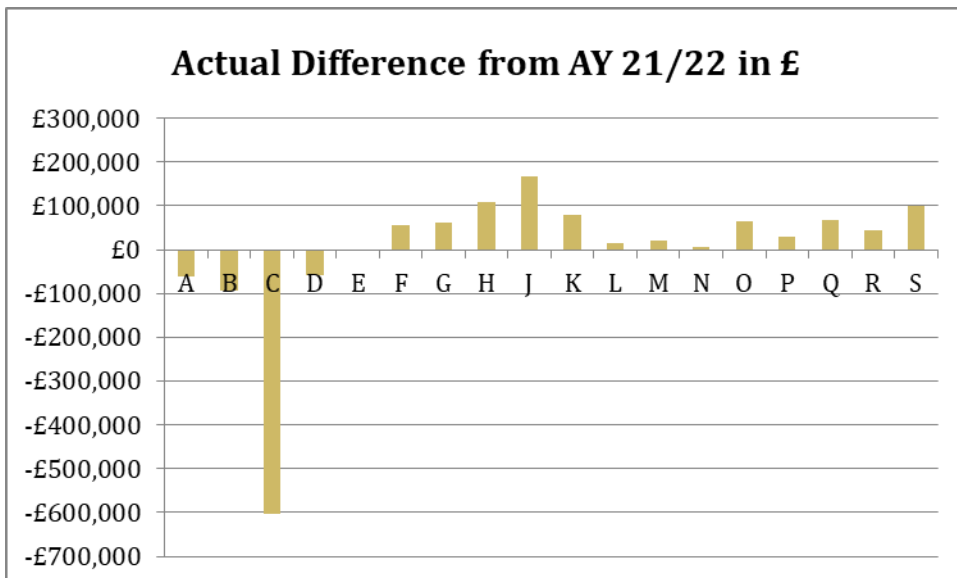
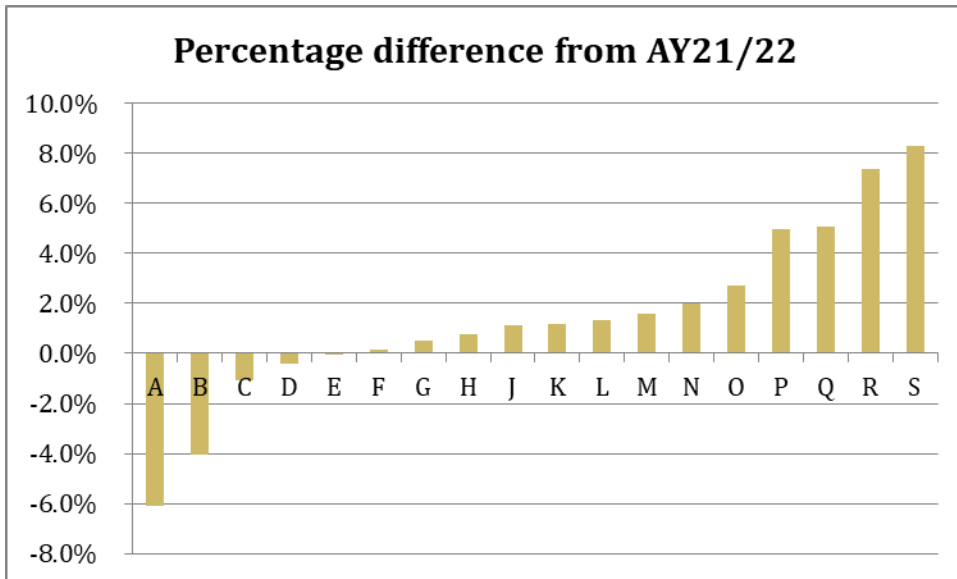
24. As discussed in October the Working Group advised against introducing additional unnecessary volatility as a result of substantial changes to the REG allocation method. However, the model was examined in depth and the following potential alterations to the REG allocation model were suggested. These aimed to ensure that the model accurately reflects the principles as set out above and responds to the changing environment.
25. RKEC agreed with the Working Group's recommendations that
 - the STEMM premium should be removed;
 - the previously agreed changes to subject weights are implemented; and
 - that the Working Group should stand ready to consider the implications of the outcomes of the JISC review of subject weights and other FBs responses to it and make further recommendations as required.
26. These elements were not consulted upon. The review of subject weights has not led to a recommended change in approach.
27. RKEC further agreed the following should be included in the sector consultation:

REGa - REF quality profile changes

28. The REG allocation model currently uses the full REF profile, although individual scores are available for each element. The proportion of the three elements which make up the quality profile in REF 2021 will be 60:25:15 (Output:Impact:Environment).
29. The Working Group noted that in practice the Impact and Environment elements of REF have a tendency to score more highly than Outputs did and the greater contribution of Impact and Environment to the full profile score results

in a greater proportion of funding than intended being driven by these elements in comparison to Outputs.

30. The consultation sought views on aligning the proportions of REGa allocated and the proportions of REF score elements. While responses were split a majority agreed that there should be alignment. This is also the approach taken in England.
31. The graphs below show the impact this change would have had if applied to the AY 21/22 allocation both as a percentage change and actual change.



32. Although the graphs show a level of change at less than <8% for any institution this translates to a large amount of money for one institution. This is using AY2021/22 data and of course for AY2022/23 there will be additional changes to both volume and quality which could impact on the outcome.

33. There is no reason to assume that the tendency for Impact and Environment to score more highly than Outputs has changed in REF 2021.
34. Aligning the proportions of REGa allocated and the proportions of REF score elements would add an additional complexity to the REG allocation model, however the current approach which results in b and c driving more funding does not meet the principles because it reduces the focus on excellence.
35. This would also bring Scotland into line with England. The executive therefore propose that we should align the proportions of REGa allocated and the proportions of REF score elements.

Recommendation

36. The Committee are invited to consider the proposal to proceed with dividing the REG(a) budget in the same proportions as the REF rating sub-profiles (60% Outputs, 25% Impact and 15% Environment) and allocating these shares of the REG(a) budget by reference to REF sub-profile quality scores.

REGa - quality weighting

37. Current weightings are 4* = 3.31, 3* = 1. In rUK, England currently use a 4:1 ratio and we understand that Wales are also considering an increase to the weighting on 4* from their current 3:1 ratio from AY 2022/23.
38. The Committee have previously noted that historical REF trends have been towards an upwards shift in quality across the board. Increases across the board combined with a fixed funding pot can actually reduce concentration of funding on quality, as greater numbers reach eligible standards this leads to decreases in funding for the universities traditionally achieving high quality as the 'tail catches up'.
39. There is no reason to believe that REF 2021 will be any different, in fact REF changes as a result of Stern recommendations leading to a reduction in the number of outputs required 'could' further exacerbate this trend.
40. The Working Group previously recommended that the weighting might need to be increased to a ratio of 4:1 to counteract this effect and to maintain both the focus of funding on research excellence. This would bring the weighting in line with England and would help maintain the concentration of funding as recommended in the SFC review. RKEC noted this recommendation and a question on quality weighting was included in the consultation.
41. The consultation document sought views on whether the current quality ratings for 3* and 4* REF scores¹ are fit for purpose. There were varied perspectives on

¹ 4*Quality that is world-leading in terms of originality, significance and rigour.

this in the responses, there was support for increasing the weighting on 4*, maintaining the current ratio and for introducing some support for 2* research. The Committee may wish to comment on this.

42. Many recognised that design changes between REF2014 and REF2021 meant that it was hard to predict the impact on research quality outcomes and SFC was encouraged to continue to carefully model the impact of changes to ensure that any changes made to the model did not have unintended consequences when combined with the REF results. This aligns with the Working Group's earlier recommendation to delay a final decision/ recommendation on the level of weighting until there is greater clarity on REF 2021 results and the impact of changes to volume and outputs. Other adjustments to the 4* weighting might be appropriate to negate unintended consequences of the REF changes.

Recommendation

43. The Committee are invited to:
 - Note the variance of consultation responses regarding quality weightings;
 - Note the Working Group's advice to delay a final decision/ recommendation on the level of weighting until there is greater clarity on REF 2021 results
 - Agree that the executive should continue to carefully model the impact of changes to ensure that any changes made to the model did not have unintended consequences when combined with the REF results

REGb – income sources

44. REGb is allocated in proportion to the amount of non-charity research income each institution receives (this includes income from Research Councils, UK Government and industry).
45. The Working Group agreed that this element of REG supports the dual funding model through recognition of competitively won funding, but highlighted that this was most relevant in relation to UKRI funding. The consultation therefore sought views from the sector on the income sources used in allocating REG b.
46. Consultation responses were unanimous that the income sources used in allocating REGb should not be changed to exclude industry income noting that this encouraged institutions to seek diverse sources of research income, and incentivised the maximising of business and industry research income.
47. The executive do not propose to amend the income sources used in the allocation of REGb.

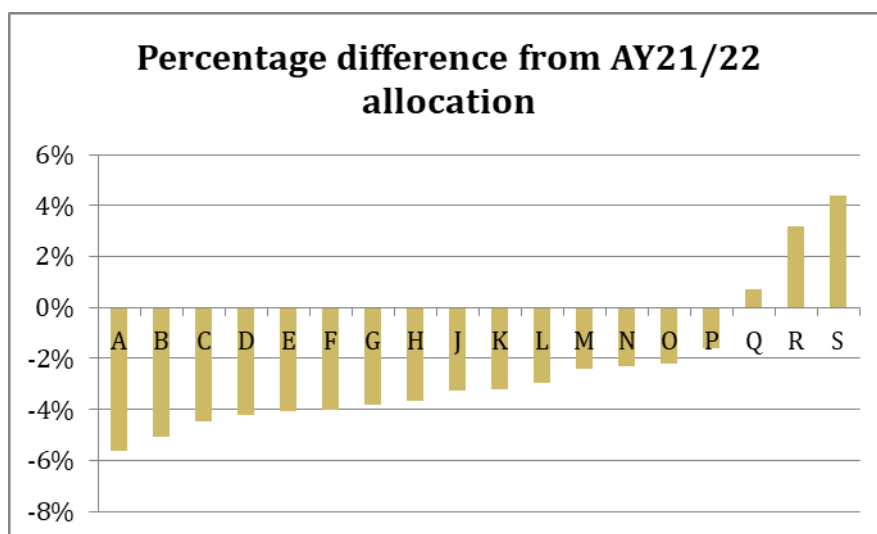
3* Quality that is internationally excellent in terms of originality, significance and rigour but which falls short of the highest standards of excellence.

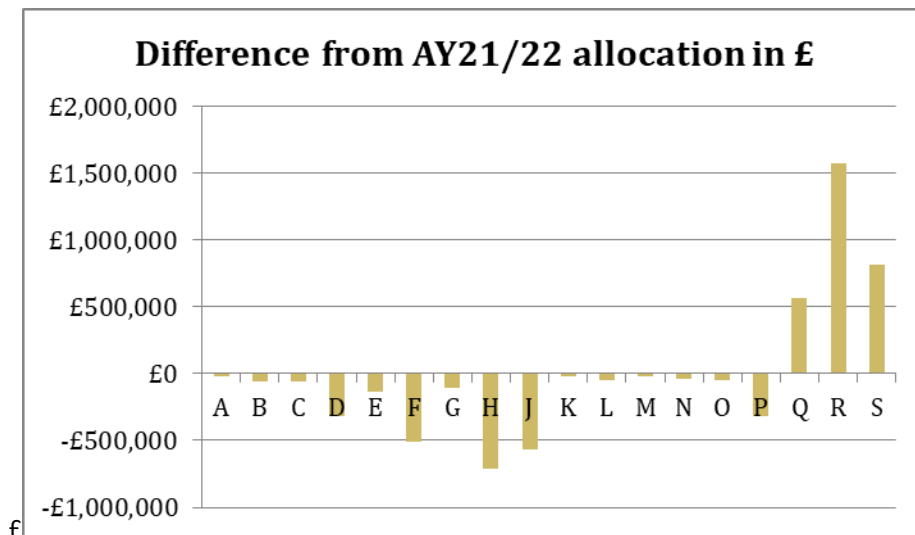
Recommendation

48. The Committee are invited to discuss the Working Group advice and consultation responses and endorse the proposal not to amend the income sources used in the allocation of REGb.

REGc – charity income

49. The Working Group advised that an increase to the level of funding allocated through REGc would bring Scotland more in line with the rUK for charity research support. The consultation sought views on whether the proportions of REG driven by quality (REGa) and by research income won (REGb, REGc) should change, specifically noting consideration of REGc (competitive charity income) increasing from 11% to 15%.
50. Views within the consultation were mixed. Responses variously recognised that charity funding currently recovers the lowest percentage of Full Economic Costs (FEC) and that increasing financial pressures within institutions makes it increasingly difficult to justify supporting charity research, but also that increasing REGc would create a disadvantage for those subject areas and institutions traditionally less attractive to large scale charity funding. Indeed many responses supported an increase to REGc but not at a cost to REGa.
51. Responses urged SFC to continue to carefully model the impact of any changes to the allocation model.
52. To increase REGc to 15% would require transferring c. £10M from REGa. The impact of transferring £10M from REGa to REGc on AY 2021/22 allocations is shown in percentage change and in actual change.





53. While the percentage change in allocations is small the resultant actual change is fairly large for some institutions especially in the context of other potential volatility. A smaller increase in the REG c pot might indicate SFC’s support for charity research in Scotland recognising the existing gap in FEC without unduly adding to volatility.

Recommendation

54. The Committee are invited to consider a small increase to REG c allocation and advise the executive on the level of increase.

Next steps

55. Following discussion by RKEC today and the Finance Committee on 25 February, the executive will model the potential REG allocation using the recommended adjustments to the formula and taking account of information on REF results as these become available. A meeting of the RKEC Working Group has been arranged for 23 March 2022. There will be two further Finance Committee meetings in March and April where proposed REG allocations can be considered in the context of broader financial considerations.

56. The SFC Board will confirm the approach to final allocations on 6 May, REF2021 results will be published on 12 May and final AY2022-23 allocations will be published in the last week of May.

Risk assessment

57. Failure to deliver a workable research funding mechanism for a substantial element of programme funds would be a high risk to SFC and its ability to deliver its core objectives. Work described in this paper reduces the level of risk.

Equality and diversity assessment

58. An equality and diversity assessment of the impact of proposed changes is underway.

Financial implications

59. Assuming a seven year period between research assessments, at 2021-22 prices, decisions on the funding model are likely to influence up to £1,701,000,000 over a seven year period.

Recommendations

60. The Committee is invited to:

Mitigation

- Endorse the executive's proposal that AY2022/23 allocations should be based on REF2021 results and use of the amended REG formula with suitable mitigation measures;
- Discuss and provide advice on those mitigation measures.

Principles

- endorse the executive's proposal to maintain the current balance of funding between REG and RPG.
- comment on the proposed amendments to the principles and supporting text.

Allocation

- consider the proposal proceed with dividing the REG(a) budget in the same proportions as the REF rating sub-profiles (60% Outputs, 25% Impact and 15% Environment) and allocating these shares of the REG(a) budget by reference to REF sub-profile quality scores.
- note the Working Group's advice to delay a final decision/ recommendation on the level of weighting until there is greater clarity on REF 2021 results
- agree that the executive should continue to carefully model the impact of changes to ensure that any changes made to the model did not have unintended consequences when combined with the REF results
- discuss the Working Group advice and consultation responses and endorse the proposal not to amend the income sources used in the allocation of REGb.
- advise the executive on balance of allocation across REG a, b and c.

Publication

61. This paper will be withheld from publication as it contains information which is likely to prejudice substantially the free and frank provision of advice, the free and frank exchange of views for the purposes of deliberation, or would

otherwise prejudice the effective conduct of public affairs.

Further information

62. Contact: Hazel McGraw, tel: 0131 313 6657, email: hmcgraw@sfc.ac.uk.

REG Principles

- **A sustainable and predictable framework to support ambitious and excellent research across the Scottish higher education institutions.**
- **Robust and transparent allocation method based on clearly defined criteria and avoiding unnecessary complexity**

Research Excellence Grant (REG) provides the majority of SFC's funding for research in Scotland. It is intended to support sustainable research excellence across Scotland's universities.

REG has a dual purpose:

- to recognise and reward research excellence wherever it is found and in whatever discipline;
- to uphold the principles of the dual support system, through making a contribution toward the full economic costs of research.

REG provides a long-term, stable source of research funding which institutions can use flexibly to develop and support excellent research as best fits their individual circumstances thereby supporting the diversity of the sector and their ability to respond to challenges.

Excellent research demonstrates originality and rigour in its approach and significance in its advancement of understanding and in the reach of its impact.

By supporting universities in Scotland to explore and improve the world by doing excellent research, they develop the knowledge and techniques which: deal with current challenges; address future challenges; and create future opportunities.

REG supports institutions to:

- sustain an excellent research environment and a thriving and inclusive research culture
- consolidate and/or expand existing excellence to attract global investment and talent to Scotland
- respond flexibly to changing priorities and invest in new and

emerging areas of research ensuring that the research base is in a position to respond to the challenges of the future

- support researchers in their early career stages
- helps meet the full economic costs of research work contributing a public good, supported by, for example, Research Councils and charities.