

Council Meeting*For information***Sources of Research Income of Higher Education
Institutions in Wales – 2014/15**Agenda: 15
HEFCW/16/43

Disclosable

12/05/2016**1 Issue**

- 1.1 This paper presents information on sources of research income for higher education institutions (HEIs) in Wales in 2014/15, together with comparative data for earlier years.

2 Corporate Planning Implications / Rationale for paper

- 2.1 Our Corporate Strategy includes a target that the annual percentage change in income from Research Councils should exceed the comparable figure for UK higher education institutions, excluding the 'golden triangle' of Oxford, Cambridge and London.
- 2.2 Achieving increased Research Council income is also a central objective of the Welsh Government's Sêr Cymru programme of research investment.

3 Recommendation

- 3.1 The Council is invited to note the contents of this paper:

4 Timing for decisions

- 4.1 This paper is for information only.

5 Council members' interests

- 5.1 No conflicts of interests have been declared in advance of the meeting.

6 Further information

- 6.1 Linda Tiller (029 2068 2228; linda.tiller@hefcw.ac.uk)

7 Background

- 7.1 A report on sources of research income is submitted to the Council and the Research, Innovation and Engagement Committee annually in order to enable them to monitor the research support obtained by HEIs in Wales from sources other than the recurrent grant. The figures are taken from the Higher Education Statistics Agency's (HESA) Finance Statistics Return.

8 The Data

- 8.1 Information on the sources of research income for individual HEIs in Wales for 2013/14 and 2014/15 is presented in tabular form at **Annex A**. A summary table for the period 2006/07 to 2014/15 is attached at **Annex B**. The charts at **Annex C** show changes in research income by institution.
- 8.2 For 2014/15, the figures include income under the heading "UK central government tax credits for R&D expenditure". This was a one-off arrangement which will not be repeated, as there has been a change to HMRC rules which excludes universities from future eligibility for these tax credits.

9 Points of note emerging from the data

- 9.1 Total research income in Welsh HEIs increased from £268m in 2013/14 to £290m in 2014/15. However, £15m of this £22m increase was due to the one-off income from tax credits for R&D expenditure referred to in paragraph 8.2 above.
- 9.2 Welsh HEIs secured 3.7% of the total UK research income in 2014/15 (**Annex Ai**), compared with the notional figure of 5% which is normally assumed to represent Wales' share of the UK higher education activity. The 3.7% share in 2014/15 was marginally down from 3.8% in 2013/14, but identical with the figure for 2012/13.
- 9.3 The Council's research grant (QR and PGR) continued to be by far the largest single source of research income, amounting to 26.3% of the total research income for Wales in 2014/15 (**Annex Ai**). This represented 3.9% of the total Recurrent Research Funding for the UK as a whole, a proportion which has remained unchanged since 2012/13. (**Annex Aii**).
- 9.4 Over the past six years, HEFCW's QR/PGR funding has represented a decreasing proportion of the sector's total research income, falling from 34.0% of the total in 2009/10 to the present level of 26.3% (**Annex Bi**). This reflects the fact that, over that period, QR and PGR funding first decreased slightly and was then maintained at a constant level, whereas the sector's income from other sources has increased.
- 9.5 In 2014/15, Wales' share of total Research Council income was 3.0% of the UK total. This figure has remained unchanged since 2012/13, but is considerably lower than in preceding years, when the sector's share was around 3.3% or 3.4% of the UK total. Cardiff, Swansea and Bangor all increased their Research Council income in 2014/15, by £3.1m, £945k and £500k respectively. Aberystwyth's Research Council income remained virtually unchanged from 2013/14.
- 9.6 In absolute terms, Research Council income in Wales increased by £4.9m (9.9%) between 2013/14 and 2014/15. For the UK as a whole, Research Council income in HEIs increased by 7.7% between the two years, or by 7.4% when the 'golden triangle' institutions are excluded. In 2014/15, the sector therefore achieved the Corporate Strategy target of exceeding the annual percentage change in Research

Council income for UK HEIs as a whole (excluding the ‘golden triangle’). It missed this target in 2013/14 and 2012/13, but had met it in the preceding three years. The strong rate of growth by the Welsh HE sector in 2014/15 was not sufficient to offset the weaker performance in the two previous years, and the target was therefore not met for the cumulative three year period 2012/13 to 2014/15 as a whole.

- 9.7 Contrary to the pattern of previous years, the sector’s research income in most other categories did not increase between 2013/14 and 2014/15. There was an increase of £5.1m in income from UK government bodies, health and hospital authorities, but virtually all other sources, including EU sources, were static or decreased between the two years. In 2014/15 the sector additionally received £15.0m from government tax credits for R&D expenditure. As noted in paragraph 8.2, this was a one-off arrangement, and HMRC rules have now been changed.
- 9.8 The chart at **Annex Ci** shows total external research income (excluding recurrent funding) for the research-led universities in Wales. In 2014/15, total external research income increased for all four of the research-led institutions, although some caution is needed because of the effect of the one-off funding from government R&D tax credits.

10 Research Council Analysis

- 10.1 A breakdown of the sector’s income by Research Council in 2014/15 is shown in the following table. Comparative figures for 2013/14 and 2012/13 are included for Wales percentage share for each Research Council.

Research Council	Research Grant Income of Welsh HEIs 2014/15	Research Grant Income of UK HEIs 2014/15	Wales as % of UK		
			2014/15	2013/14	2012/13
	£k	£k			
AHRC	3,150	64,078	4.9%	4.6%	4.3%
BBSRC	10,711	223,109	4.8%	5.2%	4.9%
EPSRC	15,099	638,314	2.4%	2.3%	2.6%
ESRC	4,981	129,393	3.8%	3.2%	3.6%
MRC	10,454	425,151	2.5%	2.5%	2.0%
NERC	5,217	125,542	4.2%	4.4%	4.9%
STFC	3,211	113,819	2.8%	2.1%	2.7%
Other	1,268	75,361	1.7%	1.3%	1.0%
Total	54,091	1,794,767	3.0%	3.0%	3.0%

Source: HESA Finance Statistics Return (FSR) 2014/15

- 10.2 The table indicates that, Wales continues to perform well in relation to AHRC and BBSRC income. The sector’s share of ESRC income – an area where Wales has historically performed very strongly – has improved from the low of 3.2% last year, when the funding periods for several large ESRC-funded research centres came to an end. However, the sector’s share of NERC funding has dropped back progressively over the last three years from 4.9% of the UK total in 2012/13 to 4.2% in 2014/15.

11 Financial implications

11.1 There are no financial implications arising from this paper.

12 Communications implications

12.1 There are no publicity or communications implications arising from this paper.

13 Diversity and Equal Opportunities implications

13.1 This paper has no implications for age, disability, gender, race, religious belief, sexual orientation or the Welsh language.

14 Risk Assessment

14.1

Risk	Action to address risk
<p>There is a risk that, if the sector does not secure credible levels of research income from external sources, there will be an adverse effect on the research base in Wales, both in terms of its reputation and standing and the level of activity which could be undertaken.</p>	<p>Performance in securing income is monitored annually by means of this paper to the RIE Committee and Council in order to provide early warning of any problems.</p> <p>We also discuss issues relating to individual institutions with senior staff as part of the SPED follow-up visits undertaken by the Research, Innovation and Engagement section.</p>