

For information

**Sources of Research Income of Higher Education
Institutions in Wales – 2015/16**

Agenda: 21
HEFCW/17/58

Disclosable

13/07/2017

1 Issue

- 1.1 This paper presents information on sources of research income for higher education institutions (HEIs) in Wales in 2015/16.

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

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7 Research Income of Higher Education Institutions in Wales

The Data

- 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.
- 7.2 This year, there are two caveats in relation to the comparability of data between years:
- New Financial Reporting Standards (*Financial Reporting Standards 102*) were introduced from January 2015 which involve significant changes in the way in which UK organisations report financial performance. Institutions can now choose to report the value of a grant in full as soon as any conditions on the funding have been met, rather than over a number of years as expenditure is incurred, as was previously the case. It is therefore necessary to exercise caution when comparing 2015/16 figures with those for earlier years.
 - In 2014/15, substantial income was reported under a new heading "UK central government tax credits for R&D expenditure". This was, however, a short-lived arrangement, as HMRC rules have been changed to exclude universities from eligibility for these tax credits. The inclusion of substantial income from that source in the figures for 2014/15, largely on a one-off basis, had a somewhat distorting effect on the totals for that year.
- 7.3 Information on the sources of research income for individual HEIs in Wales for 2015/16 is presented in tabular form at **Annex A(i)**.
- 7.4 Research income by source and HEI for 2014/15 is shown at **Annex A(ii)**, and a summary table at sector level for the period 2007/08 to 2015/16 is attached at **Annex B**. Changes in research income by institution over time are shown graphically in the charts at **Annex C**. As noted in paragraph 7.2 above, care is needed when comparing the 2015/16 figures with previous years, because of the introduction of the new Financial Reporting Standards.

Points of note emerging from the data

- 7.5 Key points emerging from the data are:
- In 2015/16, total research income for universities in Wales was £280.9 million.
 - HEFCW's recurrent research funding (QR/PGR) continues to be the largest single source of research funding in Wales, amounting to 27% of the sector's total research income in 2015/16. HEFCW's QR/PGR funding constituted 3.9% of the total recurrent research income provided by the four UK higher education funding bodies in 2015/16.
 - Whilst still remaining the largest single source, HEFCW's research funding has formed a decreasing proportion of the Welsh HE sector's total research income in recent years, declining from 34.0% of the total for Wales in 2009/10. This reflects the fact that, since 2009/10, QR/PGR funding first decreased slightly

and was then maintained at a constant level, whereas the sector's income from some other sources has increased.

- Research Council income for HEIs in Wales in 2015/16 was £70.8 million. This was significantly higher than in 2014/15, when it was £54 million. In 2015/16, HEIs in Wales had 3.6% of total Research Council income for the UK as a whole, the highest proportion for many years. The strong performance in 2015/16 was due to increased Research Council income at Swansea University and, in particular, at Cardiff University, which secured major new MRC and EPSRC awards. The new Financial Reporting Standards have, however, affected the way in which some of this income has been reported, and so we cannot assume that this strong performance will be maintained next year.

7.6 The Corporate Strategy includes a target for the annual percentage change in income from Research Councils to exceed the comparable figure for UK higher education institutions, excluding the 'golden triangle' of Oxford, Cambridge and London. For the UK as a whole, Research Council income in HEIs increased by 10% between 2014/15 and 2015/16, but in Wales the increase was 31%. Whilst accepting that caution needs to be exercised in comparing 2015/16 figures with those for earlier years, these figures suggest that the Corporate Strategy target was comfortably achieved in 2015/16.

Research Council Analysis

7.7 A breakdown of the sector's income by Research Council in 2015/16 is shown in the following table. Comparative figures for 2014/15 and 2013/14 are included for Wales percentage share for each Research Council.

Research Council	Research Grant Income of Welsh HEIs 2015/16	Research Grant Income of UK HEIs 2015/16	Wales as % of UK		
			2015/16	2014/15	2013/14
	£k	£k			
AHRC	2,496	62,075	4.0%	4.9%	4.6%
BBSRC	12,188	249,465	4.8%	4.8%	5.2%
EPSRC	21,849	651,767	3.3%	2.4%	2.3%
ESRC	5,655	140,757	4.0%	3.8%	3.2%
MRC	17,152	526,636	3.3%	2.5%	2.5%
NERC	4,899	128,431	3.8%	4.2%	4.4%
STFC	2,822	121,907	2.3%	2.8%	2.1%
Other	3,744	77,139	4.8%	1.7%	1.3%
Total	70,805	1,958,177	3.6%	3.0%	3.0%

Source: HESA Finance Statistics Return (FSR) 2015/16

7.8 Whilst caution needs to be exercised in making comparisons with earlier years, the table indicates that the sector's share of EPSRC and MRC research income in 2015/16 was higher than has previously been the case. Conversely, the table also suggests that there has been a decrease in the sector's share of income from AHRC and NERC, two Research Councils where Wales has historically performed strongly.

8 Financial implications

8.1 There are no financial implications arising from this paper.

9 Communications implications

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

10 Diversity and Equal Opportunities implications

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

11 Risk Assessment

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> <p>The Sêr Cymru programme of additional research investment, led by the Chief Scientific Adviser, is intended to boost the number of STEM researchers, and hence the sector's ability to secure funding from the science-based Research Councils.</p>