



UK Research
and Innovation

2021/22

budget allocations
for UK Research
and Innovation



Summary

- The Department for Business, Energy, and Industrial Strategy (BEIS) has confirmed an allocation of £7,908 million to UKRI for the financial year 2021-22.
- This provides an increase in excess of inflation to the core research and innovation budgets of UKRI councils and enables us to continue planned activity in our Strategic Programmes (formerly National Productivity Investment Fund). UKRI's budget is 10% higher than in our first year of operation in 2018-19 (Table 1).
- Total UK public investment in R&D has also increased over this period, rising from £13.2 billion in 2020-21 to £14.9 billion in 2021-22, an increase of 13% (Figure 1).
- UKRI was originally allocated £8,447 million for the last financial year, 2020-21. The government subsequently announced an £300 million additional, one-year investment to upgrade scientific infrastructure through the World Class Labs funding scheme¹. As a result of this and other adjustments, UKRI's budget for 2020-21 was £8,668 million.
- UKRI's allocation in 2021-22 is £403 million lower (5%) than our 2020-21 budget (excluding the World Class Labs investment). This is primarily accounted for by a reduction of £284 million in our Official Development Assistance (ODA) budget. The impact on individual councils will vary depending on the proportion of their total budgets accounted for by ODA programmes.

Table 1: UKRI Budget, 2018-19 to 2021-22 (£ million)

	2018-19	2019-20	2020-21 ²	2021-22
Research & Innovation Budgets	4,869	4,719	5,475	5,693
Science Infrastructure Capital	1,021	891	1,235	934
ODA	312	390	423	139
Strategic Programmes (formerly NPIF)	696	1,260	1,369	1,354
Corporate Funding	106	88	110 ³	151 ⁴
Tax (Asset Transfer Liability)	150			
Sub total	7,154	7,347	8,611	7,908⁵
DfE Strategic Priorities Grant ⁶	58	58	57	47 ⁷
Total	7,212	7,405	8,668	7,955

1. Government fires up R&D across the country to cement the UK as science superpower <https://www.gov.uk/government/news/government-fires-up-rd-across-the-country-to-cement-the-uk-as-science-superpower>
2. UKRI's final budget for 2020-21 will be confirmed in our Annual Report and Accounts.
3. 2020-21 figure includes a £27 million UKSBS service charge added to the UKRI budget in that year.
4. 2021-22 figure includes £35 million of UKRI transformation costs previously within the non-ringfenced element of Research and Innovation Budgets, and a £29 million UKSBS service charge.
5. Planning allocations to individual budgets and councils are £363 million higher than the UKRI budget limit to mitigate the risk of underspends and ensure best use of available funding.
6. Department for Education (DfE) contribution to Research England programmes, including the Higher Education Innovation Fund. Previously referred to as the HE Teaching Grant.
7. DfE will contribute £47 million in 2021-22. This is additional to our allocation from BEIS.

Figure 1: Trends in UK government R&D budgets, 2018-19 to 2021-22
 (Each square represents £100m)

2018-19



2019-20



2020-21



2021-22



Key:

- UKRI budget
- UKRI ODA
- UKRI £300 million World Class Labs additional one year investment
- Other public R&D budgets
- UK contribution to EU R&D programmes (part of the BEIS R&D allocation)

* For years prior to 21-22, UK payments to the EU were not part of public R&D budgets, and were instead funded centrally. For 21-22, UK contributions to EU R&D programmes are included in the public R&D budget.

Sources:

ONS statistics for Gross Expenditure on R&D, HMG announcements on R&D, published BEIS R&D allocations, UKRI Budgets released in UKRI's Annual Report and Accounts.

Notes:

UKRI budgets are part of BEIS R&D budgets. Figures for 21-22 are inclusive of the £250m announced in April 2021. Payments to the UK from EU R&D programmes in 21-22 may differ from UK contribution costs. UKRI loans and BEIS managed programmes are excluded. The values shown are not inflation-adjusted. Other public R&D budgets include R&D in government departments excluding allocations to UKRI.

Horizon 2020 projects are excluded from the chart. The UK has received over €7bn of Horizon 2020 grant awards over 2014-2020. Grant payments to the UK from these awards will extend beyond 2020 for projects finishing after this date.

Detailed UKRI budget breakdown

Our 2021-22 allocation includes:

■ **£5,693 million to deliver the first year of a Spending Review 2020 commitment to a rising multi-year settlement for UK Research and Innovation's core research budgets, and at least £490 million for Innovate UK's core budgets in 2021-22⁸ (Table 2). This includes:**

- £1,774 million for English higher education institutions (HEIs) through Research England (primarily distributed through QR).
- £667 million for the core innovation budget of Innovate UK.
- £3,254 million for the core research budgets of the research councils.

■ **£934 million for UKRI Science Infrastructure Capital budgets (Table 3). This includes:**

- £379 million for World Class Labs through the research councils.
- £87 million for Research Capital England and £101 million for HEI Research Capital.
- £94 million through the UK-wide Research Partnership Investment Fund, managed by Research England.
- £50 million investment in step-changes to our research and innovation infrastructure capability through the UKRI Infrastructure Fund and Digital Research Infrastructure Programme.

■ **£1,354 million of Strategic Programmes funding to continue planned delivery of programmes previously funded through the National Productivity Investment Fund (Table 4). Our investment in 2021-22 includes:**

- £543 million in waves one to three of the Industrial Strategy Challenge Fund.
- £192 million in the 34 programmes funded through the Strategic Priorities Fund.
- £98 million in rounds one to five of the Future Leaders Fellowships
- £69 million in the first and second rounds of the Strength in Places Fund.
- £48 million in the Fund for International Collaboration.
- £116 million of other skills and talent funding, and other NPIF programmes.

Further rounds of investment in these programmes will be subject to the next Spending Review.

■ **An ODA budget of £139 million, including £106 million for the Global Challenges Research Fund and £19 million for the Newton Fund. We will also deliver £14 million of International Climate Fund R&D investment⁹.**

■ **Corporate funding of £151 million, including:**

- £87 million for UKRI's corporate functions and staff in councils who are not engaged directly in frontline research and innovation
- £29 million for services provided by UK Shared Business Services (UKSBS)
- £35 million for transformation programmes to deliver increased efficiency and productivity across UKRI.

8. Spending Review 2020– <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020>

9. In addition, BEIS has a target to ensure £70m of core R&D spend is ODA eligible.

Prior to financial year 2021-22, UKRI transformation costs were funded from non-ringfenced elements of Research and Innovation Budgets. UKSBS service charges were a new cost to UKRI from financial year 2020-21. The proportion of UKRI's budget which is spent on operational expenditure (which includes corporate funding) has reduced from 3.45% in 2018-19 to 3.19% in 2021-22.

In addition to this allocation, our overall budget will also include:

- **A financial transactions budget of £61 million¹⁰, which will allow the continuation of Innovate UK's innovation loans programme.**
- **Innovate UK will additionally manage £240 million of programmes on behalf of BEIS.**
- **A Department for Education (DfE) Strategic Priorities Grant contribution of £47 million to Research England programmes.**
- **Subject to business case approval, £15 million to support the lifesaving work of medical research charities by helping develop the pipeline of early careers researchers working in related fields. BEIS has asked UKRI to deliver this programme. The Department for Health and Social Care will be providing an additional £5 million.**

UKRI's budgets and ringfences

UKRI's overall budget is subdivided into a number of categories or ringfences. In general, once these are set there is limited scope to move funds from one to the other.

In 2021-22 these budgets are:

- **Core Research and Innovation Budgets, comprising:**
 - The science ringfence, which funds UKRI and the National Academies. At the 2020 Spending Review HM Treasury committed to increase this ringfence (referred to there as the core research budget) to at least £4.8 billion in 2021-22.
 - Non-ringfenced innovation funding. At Spending Review HM Treasury committed that at least £490 million would be invested in Innovate UK core programmes.
- **Science Infrastructure Capital, which funds capital investment in research and innovation infrastructure, including equipment, facilities and technology.**
- **Strategic Programmes. The National Productivity Investment Fund (NPIF) ringfence was removed in the 2020 Spending Review to enable a more strategic approach to funding R&D programmes. The main programmes previously funded by NPIF are now be funded under a 'Strategic Programmes' budget.**
- **Official Development Assistance (ODA). As a result of the severe financial pressures that the UK is facing as a result of COVID-19 and its impact on the economy, the UK government has decided to reduce the funds available for ODA. The Department for Business, Energy and Industrial Strategy's ODA allocation to UKRI in financial year 2021-22 has reduced as a result, which will have an impact on the work we fund under ODA programmes.**

10. Innovate UK has a financial transactions allocation of £79 million for 2021-22 which is partially offset by other UKRI income.

Table 2: Research and Innovation Budgets by council, 2021-22 (£ million)

	AHRC	BBSRC	EPSRC	ESRC	IUK	MRC	NERC	RE ¹¹	STFC	UKRI	Total
Research and Innovation Budgets ¹²	110	364	946 ¹³	183	667	709	352	1,772	554	37	5,693

Table 3: Science Infrastructure Capital allocations by council and programme (£ million)

	AHRC	BBSRC	EPSRC	ESRC	IUK	MRC	NERC	RE	STFC	UKRI	Total
World Class Labs		65	61	36		35	33		148		379
Higher Education Research Capital (HERC) England								87			87
HEI Research Capital								101			101
Major Infrastructure Projects			84			47	27		65	1	223
UK Research Partnership Investment Fund								94			94
UKRI Infrastructure Fund and Digital Research Infrastructure Programme										50	50
Total		65	145	36		82	60	282	213	51	934

11. Figures are for financial year 2021-22. Allocated budgets for academic year 2021-22 will vary and will be announced separately. We will hold the balance of dual support (including ODA funding) at around 64p in 2021-22.

12. Research and Innovation Budgets for individual councils include funding for UKRI-wide elements of our response to the COVID-19 pandemic, including delivery of the £90 million costed grant extensions (EPSRC), the £19 million PhD extension package (NERC) and £125 million of increased support for SMEs (Innovate UK).

13. Includes additional maths investment.

Table 4: Strategic Programmes allocation by council 2021-22 (£ million)

	AHRC	BBSRC	EPSRC	ESRC	IUK	MRC	NERC	RE	STFC	UKRI	Total
Industrial Strategy Challenge Fund	16		44		468				15		543
Strategic Priorities Fund	9	27	52	9	10	15	22		42	8	192
Future Leaders Fellowships						98 ¹⁴					98
Strength in Places Fund								69 ¹⁵			69
Fund for International Collaboration	4	4		4	13	8	9		5	1	48
Dual Support								289			289
Skills, Talent and Other	1	4	33	24	17	3	2	5	4	25	116
Total	30	34	128	38	508	124	33	362	66	34	1,354

Table 5: Summary table showing allocations by council and budget, 2021-22 (£ million)

	AHRC	BBSRC	EPSRC	ESRC	IUK	MRC	NERC	RE	STFC	UKRI	Total
Research and Innovation Budgets	110	364	946	183	667	709	352	1,772	554	37	5,693
Science Infrastructure Capital		65	145	36		82	60	282	213	51	934
Strategic Programmes	30	34	128	38	508	124	33	362	66	34	1,354
ODA										139	139
Corporate Funding	2	7	5	1	4	7	4	5	4	111	151
Total	142	471	1,224	257	1,215	921	449	2,421	836	373	7,908¹⁶

14. Future Leaders Fellowships are managed by the Medical Research Council on behalf of UKRI.

15. The Strength in Places Fund is managed by Research England on behalf of UKRI.

16. Planning allocations to individual budgets and councils are £363 million higher than the UKRI budget limit to mitigate the risk of underspends and ensure best use of available funding.

How UKRI's budget is allocated

As a non-departmental public body sponsored by the Department for Business, Energy and Industrial Strategy (BEIS), UKRI's budget is determined by the overall funding allocated to BEIS for R&D at Spending Review and Budgets, and subsequent decisions by the Secretary of State as to how that funding should be allocated to UKRI and other partner bodies.

The BEIS Secretary of State decides on UKRI's overall allocation and, within that, allocations to councils, key programmes and the balance of dual support. In making these decisions the Secretary of State draws on the advice of the UKRI Board.

The decisions over which individual research projects or programmes to support are made independently from government once these broad allocations are set, as per the Haldane principle. This states that decisions about which research projects to fund should be made through independent evaluation by experts, based on the quality and likely impact of that research.

In providing their advice the UKRI Board considered our financial position, including our level of commitments in financial year 2021-22, and our priorities for the year.

The long-term nature of R&D investment means that UKRI routinely make financial commitments into future years, including beyond a current Spending Review period. Under the rules which apply to public bodies like UKRI, we have very limited ability to move funding between years. This means that when we award a grant, for example, we are making a commitment to meet the cost of that grant from future years' budgets. When we extend grants, as we have done in certain circumstances during the Covid-19 pandemic, we are increasing our commitment in future years.

UKRI's commitments into 2021-22 were exceptionally high as a result of new Covid-19 research and innovation programmes, and extensions and delays to existing programmes relating to the pandemic. This limits the scope for substantial new activities in this financial year.

Within the limited headroom remaining after meeting commitments, the UKRI Board sought to increase the resilience of the research and innovation system, to maintain diversity across that system, and to invest in programmes that support innovation and post-pandemic recovery.

UKRI's ODA allocation for financial year 2021-22 was determined separately and resulted in an allocation to UKRI below the level of our commitments. We have conducted a separate ODA review to determine the impact on individual grants. We are subject to a cap on our total ODA budget, which means that we are unable to move funds from other budgets to fill the gap between our ODA allocation and our commitments.



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