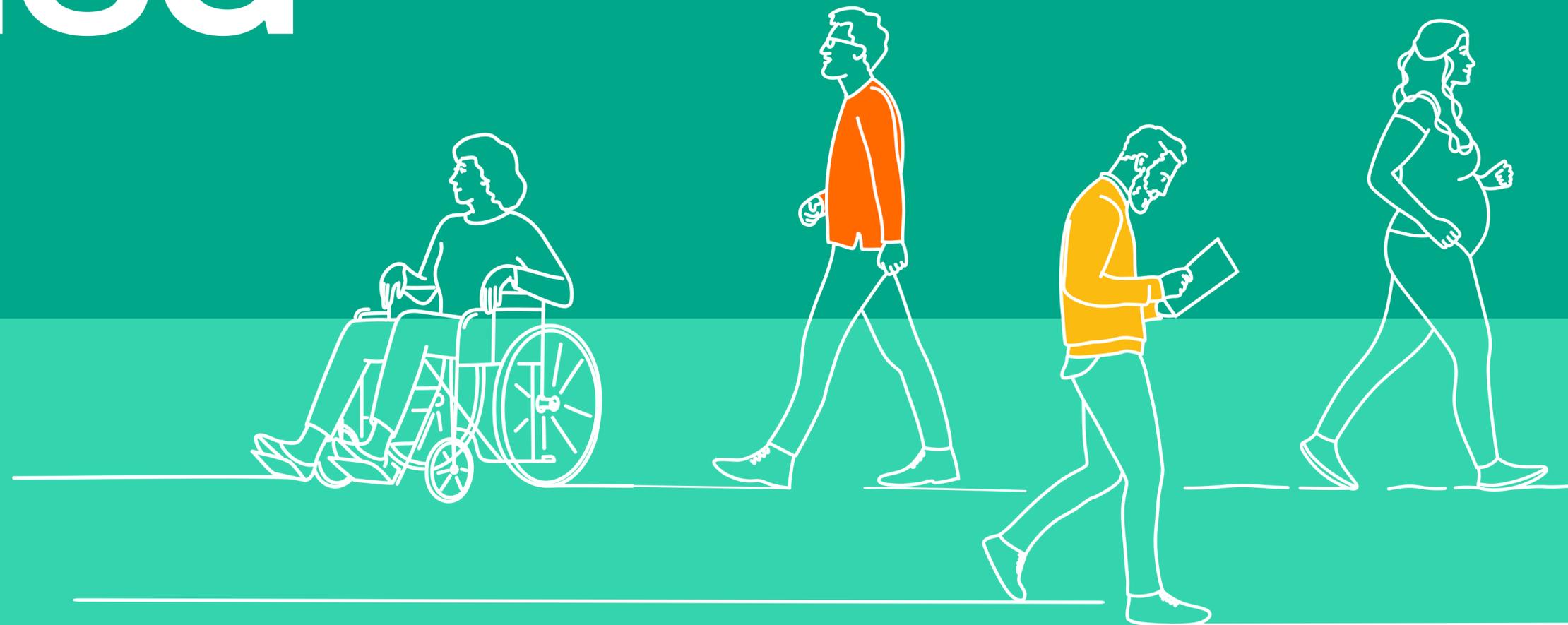




UK Research
and Innovation

How we're funded



Introduction

UKRI delivers a dynamic portfolio of investments on behalf of the UK taxpayer that supports a creative, agile research and innovation (R&I) system. This helps to create economic, social, environmental and cultural benefits, with opportunities for everyone.

Discover how we are funded and how we allocate the money to meet our aims...

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How does money get to UKRI?

UKRI is a non-departmental public body sponsored by the Department for Business, Energy & Industrial Strategy (BEIS). HM Treasury, which receives its money primarily through taxes, allocates funding to government departments, including BEIS, through Spending Reviews and Budgets.

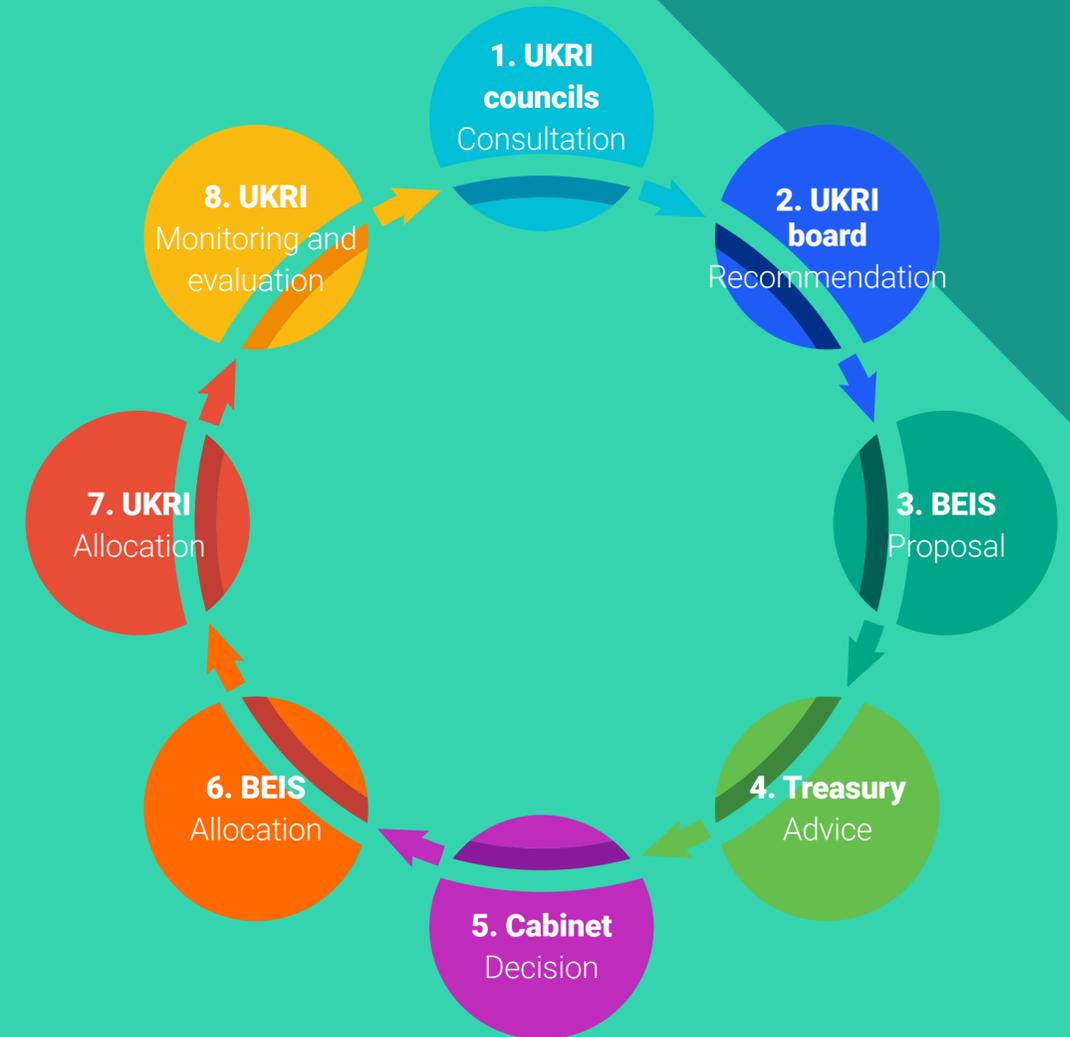
During a Spending Review, BEIS submits its proposed spending plan to the Treasury, which then advises the Cabinet. The Cabinet – including the Prime Minister and Chancellor – decide how to allocate funding in line with government priorities. Any conditions associated with the funding – such as ring-fenced budget categories – are established in a Spending Review.

To prepare a spending plan, BEIS requests information from UKRI on how it plans to spend the money. UKRI draws together this advice with the aim of demonstrating how investment in R&I can help meet national priorities and deliver value for money to taxpayers.

In addition to Spending Reviews, the Treasury also designates funding for R&I in the annual Budget, which typically takes place in the Autumn, and sometimes in the Spring Statement or other ad hoc announcements. As well as our BEIS allocated budget, UKRI also manages programmes on behalf of BEIS and delivers additional funding for other government departments.

“The research and innovation system is critical to the prosperity of the UK, enriching lives locally, nationally and globally. It underpins the creation of high-quality jobs and public services and is key in tackling the many challenges we face, from achieving sustainable and affordable energy to improving life-long health and wellbeing.”

UKRI Chief Executive, Professor Dame Ottoline Leyser



In 2021/22, UKRI's budget of £7.9bn

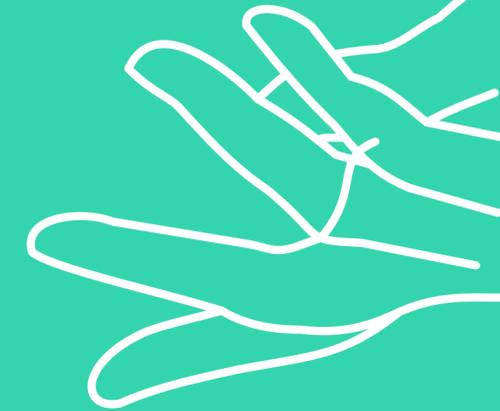
represented around half of total

UK public spend on R&D.

How does UKRI decide how to spend the money?

From blue skies research to business-led innovation, UKRI investments underpin the UK's world-class R&I system, so it is vital to get the right balance of funding across and within our organisation. This requires building greater connectivity across what we do – recognising that each pound we spend addresses multiple objectives.

We work collaboratively across our councils and communities to recommend investments that support the delivery of ambitions set out in our first five-year strategy, **UKRI Strategy 2022-2027: Transforming tomorrow together**. This strategy establishes our long-term, high-level priorities for an outstanding research and innovation system in the UK. For the first time since UKRI was created, we now have a multi-year settlement across all areas of our budget.



“We have set out in our five-year strategy how we will align incentives and investments to support the very best ideas, talented people and teams, and places across the UK, to build a positive research and innovation culture that delivers impact.”

Professor Dame Ottoline Leyser

5 How we're funded

The BEIS allocation process

UKRI's Strategy and Investment Committees aim to establish the best mix of investments. These recommendations are put forward to the UKRI Executive Committee, who then advise the UKRI Board, who, in turn, advise the BEIS Secretary of State on the distribution of funding across UKRI.

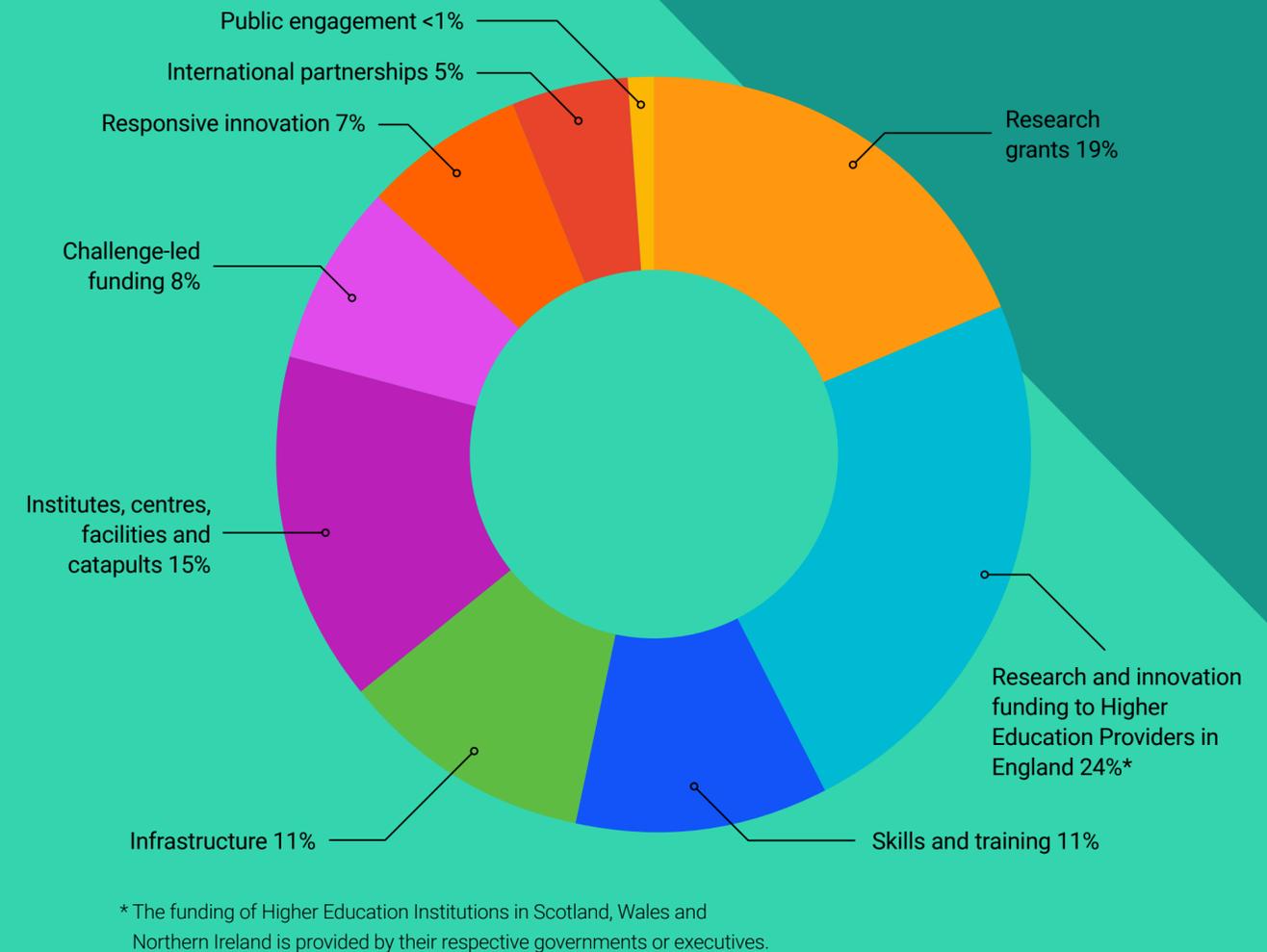
UKRI's Executive Committee considers a balance of and interplay between:

- **Research grants**, including responsive, investigator-led research and the targeted research that addresses specific opportunities, such as national priority areas.
- **Research and innovation funding to Higher Education Providers**, providing strategic and flexible support to create the conditions for excellent research activity.
- **Skills and training** for the next generation of researchers, innovators and technicians.
- **Infrastructure** required to support world-leading R&I.
- **Institutes, centres, facilities and catapults** that deliver a wide range of key national capabilities from cutting-edge research and innovation to the provision of expertise, know-how and equipment.
- **Challenge-led funding** that supports collaboration, including between the public and private sector, to address specific national and global priorities.
- **Responsive innovation** that supports innovative small and medium sized enterprises.
- **International partnerships** to enable UK researchers and innovators to collaborate with the best in the world.
- **Public engagement** to involve wider society in research and innovation, making it more relevant and useful for everyone.

All of these categories cut across disciplines and are delivered through a combination of council-specific activity, collaboration between councils and pan-UKRI programmes.

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UKRI's Executive Committee's balance of investments for 2022/23



A continual process of new projects starting and mature projects concluding creates an agility in UKRI's portfolio, enabling us to respond and refocus funding where it's most needed.

The UKRI allocation process

- Funding is allocated for collective programmes and to each of our councils: the seven disciplinary research councils; Research England; and Innovate UK.
- Together, the UKRI Corporate Plan and the Strategic Delivery Plans from our councils set out how we will use funding to deliver our five-year strategy.
- Council and collective programmes have multiple funding rounds within their annual budgets for different types of investment, such as responsive and strategic research and innovation calls or funding for studentships or fellowships.
- Some funding allocated to UKRI from BEIS is restricted to a specific purpose. For example, the core Innovate UK budget is separate from the core budget for research councils and Research England.
- R&I almost always require investments longer than a year, such as funding for institutes which typically run on five-year or longer cycles. So, while there is responsiveness built into the system, a proportion of UKRI's annual budget is committed to ongoing projects before the year starts.

Our investments support our six objectives: to foster world-class people and careers, places, ideas, innovation, and impacts, and ensure that UKRI is a world-class organisation.

How does UKRI ensure it gets maximum value for money from its investments?

Across UKRI we use insight, expertise and knowledge to inform our investments to help ensure we deliver value for money to the UK taxpayer, and a research and innovation system that drives economic, environmental and social benefits, with opportunities for all. We continually monitor and evaluate our investments so that we can understand our impact and learn from what works.

As a public body, UKRI is subject to various controls. We must consider, for example, the requirement to spend money in line with, and not ahead of, need. This means we are required to spend within 1% of total annual budgets – and not a penny over – each financial year. Other controls include limiting the movement of funding between financial years and some budget lines, and following a business case process for investments above certain thresholds.

We must also consider whether any funding could give an unfair advantage to a business.

UKRI funding is typically delivered through competitive mechanisms, such as open calls for research. These draw on independent evaluations by relevant experts.

On average £1 of public R&D investment generates at least £7 of net benefit to the UK through the development of new and better goods, services and processes.

The UKRI portfolio

Inputs



In 22/23 we have provisionally allocated investment of (% of budget):



£1,500m in research grants (19%)
£1,930m in research and innovation funding to Higher Education Providers in England (24%)



£880m in skills and training (11%)



£870m in infrastructure (11%)
£1,190m in institutes, centres, facilities, catapults (15%)



£630m in challenge-led funding (8%)
£590m in responsive innovation (7%)



£420m in international partnerships (5%)

Outputs



Funding over **60,000 researchers and innovators** and more than **300** nationally significant **infrastructures**.



Training over **29,000 PhD students** and over **2,000 fellows**.



Delivering R&D in **3,400 organisations**, including **2,900** of the UK's most **innovative businesses**.



Delivering **government priorities** such as Net Zero, public health, strategic technologies. For example, our current investment portfolio is delivering more than **£1bn in R&D relevant to artificial intelligence**.



Investing in **all regions of the UK and building partnerships overseas** – over one third of our grant funding includes an international partner.

Impacts



New breakthroughs and discoveries
The success of the Oxford-AstraZeneca vaccine was built on decades of in-depth research, underpinned by UKRI funding.



Attracting private investment
UKRI's challenge-led portfolio is forecast to attract over **£2** of leveraged co-investment from industry and other partners for each public **£1** invested.



Creating new businesses
UKRI grants have generated over 1,000 spinouts since 2004, such as Oxford Nanopore, a biotech success story commercialising DNA sequencing technology, which is now valued at **£4.8bn**.



Unleashing innovation and economic growth
Firms participating in research and innovation projects funded by UKRI experienced **22.5-28%** faster turnover and employment growth in the six years following the project. Our Higher Education Innovation Fund connects university research to businesses and society, achieving a ROI of **£8.30** per **£1** invested.



Improving lives across society
UKRI funded research outlining the science behind how children learn to read is transforming the way reading is taught in classrooms around the world and helping potentially millions of children improve their life chances through better literacy skills.