

# Higher Education Innovation Funding: Institutional five-year knowledge exchange strategies

## Policy and request for institutional strategies

This document describes policies and priorities for use of Higher Education Innovation Funding (HEIF) allocations from August 2016 onwards. It invites institutions with HEIF allocations to submit five-year knowledge exchange strategies as a basis for funding, and includes templates for those strategies.



Higher education institutions that are eligible for funding should complete and return Annexes A1 and A2. Guidance notes for their completion are at Annex B.

Strategies should be emailed to HEFCE by **noon on Monday 31 October 2016**.

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# Higher Education Innovation Funding: Institutional five-year knowledge exchange strategies (HEIF 2016-17 onwards)

## Policy and request for institutional strategies

To	Heads of HEFCE-funded higher education institutions
Of interest to those responsible for	Knowledge exchange; Innovation; Entrepreneurship; Interactions between higher education and business, public and third sectors; Contract and collaborative research; Continuing professional development; Community and public engagement; Local economic development; Strategic planning
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## Executive summary

### Purpose

1. This document presents policies and priorities for the use of Higher Education Innovation Funding (HEIF) for 2016-17 onwards in the context of the Government's long-term commitment to knowledge exchange (KE) and government priorities, and HEFCE strategic objectives. It also:

- invites HEFCE-funded higher education institutions (HEIs) with previously notified 2016-17 HEIF allocations to submit institutional five-year KE strategies from 2016-17, as the basis for release of future allocations
- summarises details of current policy for knowledge exchange and the HEIF method
- introduces a change to the HEIF method: annual HEIF allocations, with an annual modifier which provides a planning assumption for institutions to draw up long-term KE strategies
- outlines our future approaches to monitoring.

2. HEIF is designed to support the range of knowledge exchange activities that result in economic and social impact. The funding provides incentives for HEIs to work with businesses, public and third sector organisations, community bodies and the wider public. Activity that can help the country's economic growth and productivity is currently a high priority.

### Key points

3. HEIF is supported from ring-fenced government science and research funding and from HEFCE funding, reflecting that knowledge exchange is linked with research and teaching. The Government has confirmed its commitment to long-term support of KE in the context of the 2015 Spending Review, the HEIF method, and strategies processes. The Government intends that the

HEFCE KE policy function will become part of Research England, in UK Research and Innovation (UKRI), but that KE will be an area of joint working between UKRI and the Office for Students (OfS).

4. Eligible English HEIs were allocated a total of £160 million for August 2016 to July 2017. As previously notified allocations for 2016-17 are given in Annex A of 'Recurrent grants for 2016-17' (HEFCE 2016/09). Full allocations, including top-ups with HEIF qualifying income, are at [www.hefce.ac.uk/kess/heif/](http://www.hefce.ac.uk/kess/heif/) under 'HEIF qualifying income'.

5. We invite HEIs with 2016-17 allocations to submit five-year KE strategies. Future, annual, HEIF allocations are dependent on our acceptance of strategies.

6. We will continue to use the current method of allocating HEIF, but will implement a new approach of annual allocations to HEIs, based on latest data, to reward up-to-date performance. This will be coupled with an annual modifier to provide some predictability in allocations: no HEI will gain or lose more than 10 per cent of its allocation year-on-year from operation of the formula alone. Allocations to HEIs annually will vary due to changes in their performance data, the effects of the modifier, and the total sum available to allocate for HEIF.

7. HEIs will continue to have flexibility to use their HEIF allocations for the full range of knowledge exchange activities in line with the policies and priorities set out in this publication. We expect institutional strategies to be based on enduring institutional and academic capabilities, long-term partnerships, and intended outcomes and impacts and hence should not change frequently. We will ask HEIs for details of their achievements in priority areas of their strategies and use of their HEIF allocation annually in monitoring. We outline in this document our future approaches to monitoring.

### **Action required**

8. HEIs that are eligible for funding should complete and return Annexes A1 and A2, available alongside this document at [www.hefce.ac.uk/pubs/year/2016/201616/](http://www.hefce.ac.uk/pubs/year/2016/201616/). Guidance notes for their completion are at Annex B. Institutional strategies should be emailed to [heifstrategy@hefce.ac.uk](mailto:heifstrategy@hefce.ac.uk) by **noon on Monday 31 October 2016**.

### Timetable for acceptance of institutional strategies and annual HEIF allocations

1 August 2016	Commencement of spend of 2016-17 HEIF allocations.
August 2016	This document is published, providing: policy guidance; future HEIF method change; and call for institutional five-year KE strategies.
Noon on Monday 31 October 2016	Deadline for strategies to be submitted to HEFCE.
November 2016	Data collection begins for HE-BCI survey to the Higher Education Statistics Agency (HESA).
November 2016 onwards	Expert analysis of institutional strategies conducted. HEFCE will notify each HEI on a rolling basis when their strategy is accepted.
16 December 2016	Return deadline for HE-BCI returns to HESA, checking period commences (final data following checks to be submitted to HESA by 25 January 2017).
January/February 2017	Some HEIs may be asked to clarify their strategies or to make more substantial changes in a resubmitted strategy.
Spring 2017	All eligible HEIs should have received confirmation of the approval of their strategy.  HEFCE grant letter. HEFCE Board confirms 2017-18 allocations.  Confirmation of monitoring of KE strategies and returns on use of HEIF.
Summer 2017	Overview report of strategies published with details of institutional strategies that have been commended.

# Policy

## Introduction

### Knowledge exchange

9. HEIs help organisations of all sizes and sorts to become more competitive, innovative and productive, through offering their wealth of knowledge and expertise. The term ‘knowledge exchange’ (KE) is shorthand for the multiple interactions between HEIs and businesses, public services, charities and communities to create societal and economic benefit. These interactions include joint research and development projects, consultancy, training and setting up new companies. Knowledge exchange is critical to a world-leading higher education (HE) system.

10. HEFCE funding for knowledge exchange – through Higher Education Innovation Funding (HEIF) - is distinct from that for teaching and research, although KE itself builds upon both. We expect HEFCE-funded higher education institutions (HEIs) to have a strategic approach to KE that reflects their institutional and academic capabilities, and for HEIF to be used alongside other sources of funding for KE to advance the institutional strategy, achieving maximum impacts on society and the economy overall.

11. We set out our objectives for policy and funding for research, education and knowledge exchange in our Business Plan for 2015-20 (HEFCE 2015/01). These included: developing evidence and expertise to secure sustainable funding, and influence policy and practice; determining our approach for allocating funding; optimising conditions for world-leading knowledge exchange; and securing value for the economy and society.

### The government view

12. The Government set the following priorities for knowledge exchange in the 2016-17 grant letter to HEFCE<sup>1</sup>, reflecting the outcomes of the 2015 Spending Review (SR):

a. The Government is committed to knowledge exchange for the long-term. This is reflected in the Government’s expectation set out in the productivity plan<sup>2</sup> that HEIs should make an even stronger contribution to the UK economy and society. It is also reflected in the Government’s wish for us to continue to pursue our robust outcome-based funding approach to HEIF, linked with submission and acceptance of long-term institutional strategies for knowledge exchange, as described in this publication.

b. The Government has asked us to introduce a sound method to address the issue of balancing predictability in funding with more regular rewards for dynamism. Our HEIF method to date has focused all dynamism in allocations on the shifts between SR periods, with no dynamism within an SR period. SR periods have varied significantly (from two years to up to four years), and hence the levels of dynamism and predictability have been very erratic over the last decade. With long-term fixed allocations, universities do not get reasonably prompt reward for any improved performance. On the other hand, if allocations are very unpredictable year to year, HEIs cannot put in place settled, high-quality KE

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<sup>1</sup> Annual government grant letters to HEFCE may be read in full at [www.hefce.ac.uk/funding/govletter/](http://www.hefce.ac.uk/funding/govletter/). Full allocations including top-ups with HEIF qualifying income are at [www.hefce.ac.uk/kess/heif/](http://www.hefce.ac.uk/kess/heif/) under ‘HEIF qualifying income’.

<sup>2</sup> <https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>.

staffing, which is necessary to achieve the long-term partnerships and impacts intended from HEIF. This publication sets out our change to the HEIF method in response to these circumstances.

- c. The Government has identified sustainable rebalanced growth and tackling the productivity challenge as the two key overarching objectives.
- d. The Government has also asked us to further our approaches to delivering robust outcomes, to encouraging and rewarding collaboration, and overall to securing the best value for money from HEIF. We set out in this publication enhanced methods to secure these priorities in our approach to assessing and monitoring institutional KE strategies.
- e. The Government has also stressed the importance of us continuing to develop and implement the KE performance framework highlighted in the 2016 HE White Paper, as a means to further continuous improvement in KE in higher education. We provide funding for KE through a formula which gives HEIs flexibility to use HEIF for the KE activities that they choose, reflecting their capabilities, partnerships and intended economic and societal outcomes and impacts. The framework balances the formula approach by providing Government with more assurance that we work with HEIs to ensure that institutions do the KE that they choose to do, well. Professor Trevor McMillan, the Vice-Chancellor of Keele University, acts as our KE framework champion, guiding our work from the perspective of university leadership. This has included chairing a review of good practice in technology transfer which is intended to report this autumn.

13. The Government also set out in its most recent grant letter to HEFCE that it intended to introduce wide-ranging reforms to how the sector operates, which have now been set out in the Higher Education White Paper 2016 and Higher Education and Research Bill 2016-17. This includes proposed changes to the landscape of agencies, introducing two new bodies: the Office for Students (OfS) and UK Research and Innovation (UKRI). The expectation is that HEFCE's KE function will become part of Research England within UKRI, but that knowledge exchange will be taken forward as an area of joint responsibility of both OfS and UKRI.

14. The Higher Education White Paper 2016 also confirmed the importance of key areas of HEFCE KE policy and activity as part of the Government's response to the Dowling Review<sup>3</sup>, which are: HEIF; the KE performance framework; and support to the National Centre for Universities and Business and its konfer platform to forge greater links between HEIs and businesses, particularly small to medium sized enterprises (SMEs)<sup>4</sup>.

15. The Government expects HEFCE and other funders to ensure that our policies and activities are coherent, complementary and joined up so as to maximise impact and value for money from the overall public investment. HEIF supports an infrastructure for KE activities that complements the KE and innovation support from other funders, and which can help further policies to enhance the external impacts and responsiveness of research and teaching. This will be particularly important for the long term, going into new arrangements for UKRI and OfS.

16. In the productivity plan, the Government stressed the importance of universities, cities, Local Enterprise Partnerships (LEPs) and business working with Government to build on different

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<sup>3</sup> [www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research](http://www.raeng.org.uk/policy/dowling-review/the-dowling-review-of-business-university-research).

<sup>4</sup> <https://konfer.online/>.

regions' strengths and to maximise the economic impact from the UK's research and knowledge base. This is the focus of the Government's science and innovation audits. The plan also notes that collaboration between universities locally can help to deliver objectives of improving efficiency and supporting quality. The Government expects HEFCE and other funders to support implementation of productivity plan priorities.

### **Knowledge exchange funding policy**

17. Following the Government's view, we are maintaining significant stability in the HEIF method. The main policies and principles that underlie our approach to the formula are:

- a. HEIF's primary focus will remain the support of KE activities with all forms of external partners – businesses, public and third sectors, local and community bodies and the wider public – to achieve the maximum economic and social impact for this country. Partnerships may be local, national or international. This includes support of staff and student entrepreneurship.
- b. In their use of HEIF, HEIs should have regard to the Government's growth and productivity agendas. This includes the spatial dimensions to productivity, including the Government's approach to science and innovation audits, and the contributions of both innovation and skills to productivity. In the longer run, HEIs will need to take account of policies and priorities emerging from the planned new HE landscape bodies, UKRI and OfS.
- c. Funding is provided by formula. HEIs have flexibility to use funds to maximise societal and economic outcomes and impacts, responding to the needs of their external partners. The formula focuses on rewarding and incentivising performance. HEIF's success is judged in terms of the economic and social impact achieved.
- d. Income remains the best proxy we have for the impact of KE activities on the economy and society; hence it is the best measure of performance and is used in the formula allocation of HEIF. The focus of HEIF is not on income generation for the HEI, though we recognise that institutions must have a close eye on the sustainability of their activities. We are putting in place enhanced procedures in the strategies process to ensure that we understand, incentivise, monitor and evaluate the economic and societal outcomes and impacts delivered by HEIF, to guard against a focus on income achievement. Increased information we require in strategies about institutional main intended outcomes and impacts is intended to inform our long-term policy development, including our approach to metrics and evaluation of HEIF.
- e. HEIs have discretion to use funding for the range of KE activities beyond those counted in the formula. It will be of continuing importance that institutions innovate, improve and collaborate in KE, so that we expand our understanding of economic and social opportunities and of the most effective ways of satisfying these, including through collaboration where appropriate, and to maximise effectiveness and their offer to business/other users.
- f. In due course, HEIs will need to take account of the KE performance framework. It is in development at present, and is likely to take the form of guidance and materials to support continuous improvement in KE, including access to benchmarking and good



practice materials. We expect the framework to feature in our approaches to assessing and monitoring KE strategies and evaluating HEIF in the future.

18. We also provide an additional £10 million available per annum to provide allocations to HEIs that may be constrained by the top cap of HEIF, to contribute to economic growth agendas.

## **Funding method**

### **Change to method: annual allocations**

19. Our practice to date has been to make allocations for the entirety of the next government SR period at the start of that period. This includes setting levels of moderation between SR periods.

20. We are introducing a new approach from 2017-18 onwards, with annual re-calculations of HEIF allocations to increase dynamism and reward to recent performance, but with predictability. Predictability will be achieved by confirming the yearly moderation factor to be applied, first between 2016-17 and 2017-18, and then annually thereafter. The yearly moderation factor provides HEIs with a planning assumption to use in drawing up their KE strategies requested below.

21. The modifier is set at +/- 10 per cent annually over the five-year period of the strategies. HEIs will not be able to gain or lose more than 10 per cent of their previous year allocation due to the operations of the formula alone, subject to being above the minimum threshold, and below the maximum allocation.

22. In line with this change, we are adjusting the weighting of the three years of input metrics from 1:2:7 to 2:3:5, to better reflect the balance of dynamism and stability in moving from a multiple year allocation to an annual year allocation.

23. Allocations will then vary year on year related to the institution's performance in funding metrics, the operation of the modifier, and the total sum available for allocation through HEIF. Other aspects of the allocation method are not intended to change.

### **Summary of funding method**

24. Funding of £160 million was allocated for 2016-17. Of this, £113 million came from the ring-fenced science and research funding, and £47 million from the HEFCE teaching budget, reflecting that knowledge exchange links with both research and teaching.

25. The HEFCE Board will make a decision on the total amount to allocate for HEIF in 2017-18 in spring 2017. The Government's science budget has already confirmed £113 million commitment to HEIF, but the Board will need to confirm the additional commitment from the HEFCE teaching budget in the light of the 2017-18 grant letter from the Secretary of State. Our intention is to move to annual decisions on HEIF allocations thereafter, putting the grant for KE more on a par with the research and teaching grant. Institutional allocations in any year will be dependent on the total funding provided for HEIF.

26. Table 1 below summarises the elements to the HEIF formula funding approach, including new aspects from 2017-18 onwards.

**Table 1 Summary and comparison of allocation methods for HEIF 2011-2015 (2015-16, 2016-17) and HEIF 2017-2018 onwards**

<b>HEIF 2011-2015 (2015-16, 2016-17)</b>	<b>HEIF 2017-2018 onwards</b>
Support for a broad range of KE activities across all subjects which result in economic or social impact.	Same as HEIF 2011-2015.
Formula funding released against a high-level strategy for KE and plan for use of HEIF.	Same as HEIF 2011-2015.
Allocations fixed for the period.	Allocations re-calculated annually, with total available for allocation and new data.
All funding based on performance (100 per cent) – using a variety of income measures as a proxy for impact.	Same as HEIF 2011-2015.
Data sources for income: <ul style="list-style-type: none"> <li>• HE-BCI Contract Research</li> <li>• HE-BCI Consultancy</li> <li>• HE-BCI Equipment and facilities</li> <li>• HE-BCI Regeneration</li> <li>• HE-BCI Intellectual property income</li> <li>• HESA Non-credit-bearing courses</li> <li>• Knowledge Transfer Partnerships income provided by Innovate UK.</li> <li>• SME income (double weighted).</li> </ul>	Same as HEIF 2011-2015.
Absolute cap on maximum allocation per HEI – £2.85 million.	Same as HEIF 2011-2015
Moderation. Maximum allocation constrained to 50 per cent increase. Transition so no HEI (subject to being above the threshold allocation) sees its allocation drop more than 50 per cent of its previous allocation.	Moderation. Annual transition so no HEI (subject to being above the minimum threshold, and below the maximum allocation) sees its allocation increase or decrease by more than 10 per cent of its previous allocation.
Threshold allocation £250,000. HEIs that are not achieving an allocation of £250,000 get no allocation at all.	Same as HEIF 2011-2015.
Years of data – 2007-08, 2008-09, 2009-10, weighted 1:2:7.	The three most recent available years of data – 2013-14, 2014-15, 2015-16, weighted 2:3:5.

HEIF 2011-2015 (2015-16, 2016-17)	HEIF 2017-2018 onwards
<p>Additional allocation for top cap – from 2013-14:</p> <p>Allocated pro-rata between those HEIs on the maximum allocation (although awards are calculated with a minimum of £200,000 and a maximum of £500,000 to provide effective incentives for all HEIs on the cap). There are no transitional modifications, and the top-up is not considered as part of the HEI's core allocation (from which future years are calculated).</p>	<p>Same as HEIF 2011-2015.</p>

Note: the single year allocations in 2015-16<sup>5</sup> and 2016-17<sup>6</sup> followed the same method as for HEIF 2011-15.

## Eligibility

27. HEFCE-funded HEIs in England are eligible to receive HEIF. But we apply a threshold to allocations: HEIs receive no allocation if they do not have external income earnings which generate, by applying the formula described in Table 1, an institutional HEIF allocation of £250,000 or more (the threshold level).

28. HEIs that have not received an allocation in 2016-17 are not asked to provide a KE strategy. If HEIs receive an allocation in subsequent years, we will approach them to submit a strategy then. All HEIs should continue to return related data to the Higher Education-Business and Community Interaction (HE-BCI) Survey to inform future allocations.

## Data

29. The data used to calculate formula allocations is drawn predominantly from the HE-BCI survey and Higher Education Statistics Agency (HESA) returns.

30. We used data from the 2014-15 HE-BCI survey, recently provided to us by HESA, to calculate 2016-17 allocations; these allocations were published at Annex A of 'Recurrent grants for 2016-17' (HEFCE 2016/09), see [www.hefce.ac.uk/pubs/Year/2016/201609/](http://www.hefce.ac.uk/pubs/Year/2016/201609/). Full allocations including top-ups with HEIF qualifying income are at [www.hefce.ac.uk/kess/heif/](http://www.hefce.ac.uk/kess/heif/) under 'HEIF qualifying income'. The data was formally signed off by institutions as part of the established HESA data collection process. All funds have now been allocated for HEIF 2016-17, so we cannot now make changes to allocations if an HEI identifies an error in data submitted to HESA that has an impact on its HEIF qualifying income. It is important, however, for future allocations that published data are accurate, so HEIs should approach HESA if they wish records to be corrected.

<sup>5</sup> [www.hefce.ac.uk/pubs/year/2015/CL\\_052015/](http://www.hefce.ac.uk/pubs/year/2015/CL_052015/).

<sup>6</sup> Full allocations including top-ups with HEIF qualifying income are at [www.hefce.ac.uk/kess/heif/](http://www.hefce.ac.uk/kess/heif/) under 'HEIF qualifying income'.

31. Return of HE-BCI data in the annual HESA data collection process remains a condition of grant for all HEIs and is used to inform annual HEIF allocations.

## **Allocations and guidance on strategies**

### **HEIF 2016-2017 allocations and onwards**

32. HEIF allocations for 2016-17 were published in May (HEFCE 2016/09) and included in HEI funding agreements in July 2016. **We expect HEIs to use this funding in line with the policies and priorities set out in this publication.**

### **Institutional five-year KE strategies and plans for use of HEIF**

33. Eligible HEIs should each submit a five-year KE strategy to HEFCE, setting out the institution's overall strategy for knowledge exchange and plan for the use of HEIF in 2016-17 and priorities for HEIF in subsequent years. KE strategies should reflect enduring institutional and academic capabilities, long-term partnerships, and intended outcomes and impacts, which should not be expected to change frequently year on year.

34. Institutions with an additional top cap allocation (see paragraph 18) should include use of this funding in their strategy.

35. We ask for a detailed breakdown of how HEIF will be used for 2016-17 and information on the institution's anticipated priorities for subsequent years:

- a. Which areas of KE activity are of high priority and will be protected even if the institution's HEIF allocation is reduced, or will receive additional support if the institution's HEIF allocation increases?
- b. Which areas of KE activity are of low priority and are likely to be reduced if the institution's HEIF allocation is reduced?

36. In subsequent annual monitoring we will ask for a breakdown of the previous year's HEIF allocation in the format shown in Annex A2 Table B.

37. HEFCE's acceptance of this strategy is necessary for the institution to receive a formula funding allocation for 2017-18 onwards. The strategy should cover 2016-17 and four subsequent years.

38. These strategies must meet the following criteria:

- a. The HEI has a sound strategic approach to KE, in line with its individual corporate strategies and core institutional mission, and linked with appropriate management systems. The HEI must satisfy us that it has identified its main intended outcomes and impacts for the economy and society, and must give us confidence that it has ways to monitor and evaluate activity to demonstrate that it is achieving those outcomes and impacts.
- b. The HEI has a sound approach to management of its KE activities, including demonstrating that efficiency and effectiveness in KE activities is being actively sought. The HEI must satisfy us that it has a strategy in place to maximise the opportunities to collaborate with other UK HEIs, to use HE and research grant most efficiently.

c. HEIF is being spent in line with the overall objectives of the programme, and appropriately in the context of the institution's overall strategic approach to KE, and the policies and priorities of Government and HEFCE (and successor agencies).

39. Institutional strategies should be e-mailed to [heifstrategy@hefce.ac.uk](mailto:heifstrategy@hefce.ac.uk) by **noon on Monday 31 October 2016** using the Word template at Annex A1 and Excel template at Annex A2. Institutions should take account of the description of relevant policies given in this publication in developing their strategies and plans. Detailed guidance for completing the templates is at Annex B.

40. The individual HEIF 2011-15 strategies were used as part of our public funding case for HEIF to Government, and we stress therefore the importance of HEIs providing us with high-quality documents. This is partly about producing a strategy that is true to the particular institution, its mission, institutional and academic capabilities, KE activities, partners and intended outcomes and impacts. We anticipate that different HEIs will produce quite different strategies to others; this is to be expected and welcomed, as the needs of our economy and society are also diverse. HEIs may use up to the maximum word limit in each section of the template, with appropriate length to fit the institution's level of HEIF allocation and scale of KE activity.

41. The templates provided at Annexes A1 and A2 are based on those used for past HEIF strategies, but are focused on the most important data needed now to inform monitoring, policy and public funding cases. We are particularly focused on improving evidence about the economic and societal outcomes and impacts that HEIs aim to deliver, and the use of collaboration between UK HEIs as a means to increase efficiency and effectiveness. We intend to commission researchers, as in HEIF 2011-15<sup>7</sup>, to help us assess strategies, to compile an evidence base to inform monitoring and evaluation of HEIF, and to produce an overview report to be published in early 2017.

42. Data on funding and outputs in Annex A2 is requested to inform future HEIF evaluations. There is more information on this in the guidance at Annex B. We recognise that HEIs may not collect data in precisely the form we request in the template. We ask HEIs to make estimates to complete the template as fully and accurately as they can. Use of data in the overview report mentioned above and future evaluations will be informed by all the evidence in HEI strategies, including any commentary on limits or caveats to sector-wide data. Other than in assessing a strategy in its entirety to release funding, we will not use or publish the individual HEI level data.

### **Assessment of institutional five-year knowledge exchange strategies**

43. HEFCE will assess all institutional strategies against the criteria listed in paragraph 39. Final decisions will be made by the HEFCE Chief Executive, advised by an internal group made up of the Knowledge Exchange policy team and Institutional Directorate leads, supported by the expert researchers who will be compiling the overview report.

44. HEIs will be informed that their strategy has been approved by HEFCE on a rolling basis, and should expect to have heard by 31 March 2017.

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<sup>7</sup> 'Strengthening the Contribution of English Higher Education Institutions to the Innovation System: Knowledge Exchange and HEIF Funding' published in April 2012, is available at [www.hefce.ac.uk/kess/heif/](http://www.hefce.ac.uk/kess/heif/).

45. We may withdraw, reduce or attach conditions to an HEI's future funding if, in HEFCE's judgement, its strategy does not adequately meet the criteria listed in paragraph 39. HEIF 2016-17 allocations will not however be changed. Eligibility to receive annual allocations in future may also be affected by progress in delivery of the strategy, particularly achievement of the institution's strategy for maximising collaboration and of its intended outcomes and impacts.

46. On the advice of our expert researchers, we may ask HEIs to expand or clarify their strategies, to enable these to be analysed and aggregated with others in our evidence database or overview report. Exceptionally, we may advise an institution that its strategy does not meet the published criteria, and ask for a resubmission within a reasonable time frame. We expect to have completed the process of requesting clarifications or resubmissions from HEIs by the end of March 2017.

### **Commending strategies**

47. Working with other KE, innovation and enterprise agencies, we intend to continue the practice adopted in HEIF 2011-2015 of commending a few strategies that demonstrate leadership and commitment from the HEI to address the challenges of economic growth and wider social development of the country through knowledge exchange. We will include information on the strategies commended in our published overview report.

48. We will not ask HEIs to provide any additional information to inform the process of commending strategies. Decisions on commendations will be made on the recommendation of a group of experts, chaired by the HEFCE Director of Research, Education and Knowledge Exchange, and based on analysis by the researchers undertaking the main assessment and overview exercises. We will contact the HEIs we would wish to commend prior to publication of the overview report. All institutional strategies (narrative documents, omitting data) will be published on the HEFCE website.

### **Equality and diversity**

49. HEFCE is committed to promoting equality and diversity in the higher education sector, and to supporting HEIs in meeting their statutory obligations to promote diversity in the areas of race, gender and disability.

50. In the strategy template at Annex A1, we ask HEIs to give us an account of their institutional equality and diversity policies that relate to KE, as a means to fulfil our duty under the Equality Act.

### **Monitoring and review**

51. As a condition of receipt of HEIF, institutions will be asked annually to report on the progress of their five-year KE strategy, including providing details on the breakdown of use of the previous years' HEIF allocation (in the format provided in Table B of Annex A2) and any over- or under-spending on HEIF. We are in the process of reviewing our annual monitoring statement requirements in the light of new funding arrangements generally in HE.

52. We will provide further details on how we will monitor HEIF and the data that that will need to be provided in spring 2017, when we have assessed strategies and the in context of making 2017-18 allocations.

53. The monitoring process will be annual, but the general condition of HEFCE funding still applies in that we do not fund ahead of need. If expenditure on HEIF activities has slipped

substantially, we expect HEIs to contact us immediately to discuss the appropriate course of action. If an institution is not achieving sufficient progress against its strategy we may withhold funding from that institution. We will be particularly concerned to establish that there is evidence of progress in monitoring of achievement of the institution's strategy for collaboration and intended outcomes and impacts. This may also affect whether an HEI is eligible to receive future annual allocations. If an institution does not gain an allocation in any year of its five-year strategy, we will discuss a proportionate approach to monitoring.

54. We will visit institutions if we have concerns on progress of delivery of the strategy in relation to achievements on outcomes, impacts or collaboration. This will allow us to understand the changing barriers and enablers that may have affected progress. This will also provide an opportunity to discuss whether an institution is embarking on a significant change in strategy.

55. We expect KE strategies to reflect enduring institutional and academic capabilities and long-term partnerships, intended outcomes and impacts which will not change rapidly. However, HEIs should reflect in annual monitoring or approach us on a wholesale change of strategy.

56. We expect to notify HEIs of their HEIF allocation as part of the annual recurrent grant announcement. Annual allocations will reflect:

- a. Availability of funding for HEIF as confirmed to us annually by Government in its grant letter to us.
- b. Changes in the HEI's HE-BCI performance metrics reflected in the formula.

57. We expect to ask HEIs to submit new strategies in year 4 of the period, in 2019/20. We reserve the right though to ask HEIs to submit an updated institutional strategy, potentially addressing new priorities, at any time over the five-year strategy period. This would occur if the Government were to request that we demonstrate that HEIs can meet new opportunities and priorities, particularly related to the proposed new HE landscape bodies, UKRI and OfS.

**Annex A1: Template for institutional five-year KE strategies (for HEIF 2016-17 onwards)**

**Annex A2: Excel template for institutional five-year KE strategies (Tables A and B)**

These templates are available for completion alongside this report at [www.hefce.ac.uk/pubs/year/2016/201616/](http://www.hefce.ac.uk/pubs/year/2016/201616/).



## Annex B: Guidance notes for completion of institutional strategies

Annex A1 provides a maximum word limit for each question. While you may use the full word limit, you may wish to make your response proportionate to your HEIF allocation and scale of KE activity. All institutional strategies will be published on the HEFCE website.

### **Question 1 KE strategy**

This question should cover **all** KE activities funded from all sources, including your HEIF allocation.

### **Question 2 Focus areas**

We recognise that there may be overlaps between target sectors, geographical focus and types of organisations. Include information such as the size and type of companies, their positions within the supply chain and industrial or technology sectors; and specific links with local authorities and Local Enterprise Partnerships.

### **Question 3 Evidence base**

Feedback is particularly important from external economic and societal partners, beneficiaries and stakeholders, and evidence from evaluations and reviews of achievement of economic and societal outcomes and impacts. Stakeholders may include direct beneficiaries but also business bodies, industry or technology networks or local partners.

### **Question 4 Outcomes and impacts**

In our monitoring we will focus on progress of achievement of each HEI's intended main outcomes and impacts described here. This question is therefore very important. Your response should focus on the few, headline outcomes and impacts that are most significant for your strategy (whereas **question 6** should cover monitoring of all activities). Your response should describe the **principal types** of impacts and outcomes. You should include in **question 6 how** you will measure success toward achieving these main impacts and outcomes, and more broadly for all activities and impacts. It may be helpful if you structure the details of your outcomes and impacts under the following headings (PACEC, HEFCE October 2015)<sup>8</sup>.

<b>Business (public and third sector) benefits</b>	Skills from KE to understand issues and develop ideas and solutions
	Benefits to start-up/spin-out businesses. Consolidated start-ups and improved management to achieve business growth
	Improved innovation, the development of technology and IP through testing and application to products and processes
	The successful development of marketable products and processes
	The commercialisation of IP and products and services
	Improved business performance (sales, employment

<sup>8</sup> [www.hefce.ac.uk/pubs/rereports/Year/2015/heifeval/](http://www.hefce.ac.uk/pubs/rereports/Year/2015/heifeval/)

	opportunities, productivity, profits)
	Increased benefits for SMEs
	Support and outputs for high tech and innovative clusters/sectors
<b>Social and community group benefits</b>	Greater understanding of issues and solutions for organisations, local community groups, and clients
	Development of services to meet the needs of local groups and residents
	Increased benefits to meet needs for partners and residents
<b>Wide economic and social benefits</b>	Shaping and developing regional partnerships, such as LEPs, local authorities, business groups
	Strengthening the innovation system through businesses and regional agencies
	Improved enterprise support for SMEs, start-ups, and larger firms with a focus on key technologies and sectors
	Stronger supplier linkages resulting from HEI engagement and business growth
	Greater technology diffusion
	Labour market benefits
	Stimulation for inward investment to HEI regions from student placement and graduates

### **Question 6 Monitoring**

Your response should cover your overall approach to monitoring, but particularly details of **how** you will measure success toward the main intended headline outcomes and impacts in **question 4**. This might include information about how you have established a baseline(s), how you will monitor/track progress, and your criteria for measuring success. This may include qualitative approaches (for example, user surveys) and quantitative approaches. Our expert assessors will provide us with a database of institutional responses to **questions 4 and 6** as the basis for our monitoring of main intended outcomes and impacts, and for providing sector-wide information for Government on delivery of its priorities (such as in the overview report of HEIF evaluations). We may then discuss with you, your responses to **questions 4 and 6** in our monitoring.

### **Question 8a Collaboration**

It is important that you provide a **specific number** of KE collaborations that you participate in with other UK HEIs so we can provide **sector aggregate** figures in the overview report, as evidence that we are meeting government priorities. We recognise that a wide range of partners are valuable in KE activity, but we are asked to provide assurance to Government that HEIs are maximising opportunities for inter-HEI collaboration as a means to increase value for money from funding for HE and research.

### **Question 8b Collaboration**

We will monitor your achievements in delivering your strategy for collaboration with other UK HEIs. This component is a high priority for HEFCE and Government. Please include details of main collaborations (the objectives of these collaborations, partners, future plans) that are important to delivery of your overall KE strategy. Our expert assessors will provide us with a database on HEI collaborative strategies as the basis for our monitoring, and for providing sector-wide information to Government on how we are meeting their priorities (such as in the overview report and evaluation).

### **Questions 9 and 10, Annex A2 - Tables A and B and Question 11 Funding inputs and outputs**

If your HEI receives an additional top cap allocation (see paragraph 18 of the main text), include in both tables your total allocation.

Note that since the last HEIF strategies were submitted that the research exploitation category has been split into two categories: technology transfer (TT) and non-TT. This is because around 50 per cent of HEIF was in one category, and this did not give us sufficient information to evaluate and demonstrate fully HEIF achievements, such as for public funding cases. We define technology transfer as the exploitation of existing intellectual property (IP) through processes of licensing and creation of spin-out businesses. We recognise that distinctions may be less clear on the ground: include any comments or caveats on how you have split your returns in **question 11**.

This evidence is requested primarily as the basis for evaluating HEIF, and hence data will not be used at individual HEI level other than in assessing a strategy in its entirety.

We recognise that you will not collect information in the format provided in Tables A and B. Please provide informed estimates, particularly in Table A, and give details of your approach, and any caveats in **question 11** of Annex A1.

The purpose of Table A is to estimate the benefits delivered by HEIF (return on investment) by linking HEIF allocations through infrastructure categories with HE-BCI outputs.

In Table A:

- a. The percentages of HE-BCI outputs (such as 'collaborative research', 'contract research') across one Infrastructure category (such as 'Facilitating the research exploitation process (non-TT)') **should not sum to 100 per cent**. The percentages across all infrastructure categories for a specific HE-BCI output category **should sum to 100 per cent**. So all the lines in Table A for 'collaborative research' should sum to 100 per cent, and ditto for 'contract research', ditto for 'consultancy' and so on.
- b. The percentage of HEBCI outputs in an infrastructure category attributable to HEIF is influenced by the other sources of funding inputs to that category. If your commercialisation/technology transfer activity is primarily funded from HEIF, then the percentage attributable to HEIF will be high. If you have many sources of funding inputs to support 'Skills and human capital development', the percentage of outputs attributable to HEIF may be low. Percentages **should not sum to 100 per cent**.

- c. There is an optional column in Table A to include non-HE-BCI outputs, outcomes and impacts. This might be used to link allocations with main intended outcomes and impacts in **question 4**.

**Question 12 Priorities**

This question should provide information on the high priority KE areas and activities (that are likely to be protected if your HEIF allocation is reduced; or increased if your future HEIF allocation increases), and the lower-priority areas (that might be cut or reduced if your HEIF allocation is reduced). We will collect data in the format of Table B annually in monitoring, and your answer to this question will help us understand the choices you are likely to make in future years.

## **Annex C: List of abbreviations**

<b>HE</b>	Higher education
<b>HE-BCI</b>	Higher Education-Business and Community Interaction (Survey)
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HEI</b>	Higher education institution
<b>HEIF</b>	Higher Education Innovation Funding
<b>HESA</b>	Higher Education Statistics Agency
<b>KE</b>	Knowledge exchange
<b>LEP</b>	Local enterprise partnership
<b>OfS</b>	Office for Students
<b>SME</b>	Small and medium-sized enterprise
<b>UKRI</b>	UK Research and Innovation