

**Guidance
RE-P-2022-02**

April 2022

Review of knowledge exchange funding

Stakeholder engagement and evidence

Approach to engaging and gathering evidence from higher education providers and other knowledge exchange stakeholders

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To	Heads of Research England-funded higher education providers
Of interest to those responsible for	Knowledge Exchange, including directors of knowledge exchange Other stakeholders involved in knowledge exchange.
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Introduction

1. This document sets out:
 - a. Background, objectives, stages and timetable of a review of Research England's funding and policy approaches in knowledge exchange.
 - b. The key initial questions to the review.
 - c. The approach being taken to engage stakeholders, including higher education providers (HEPs).
 - d. An invitation to submit evidence. Evidence should be research or analytical work providing factual information and conclusions drawn from that on HE KE. Written views or comments from HEPs or other stakeholders outside the engagement activities are not requested at this stage.
 - e. Next steps.
2. Evidence contributions should be submitted by email to the knowledge exchange policy team at KEPolicy@re.ukri.org by Friday 29 July.
3. Any queries should be directed to KEPolicy@re.ukri.org.

Background, objectives and stages/timetable to our KE review

Why are we reviewing?

4. Formula funds are intended to support underpinning institutional capabilities, and hence funding approaches should provide HEPs with significant long-term predictability. This enables HEPs to make long-term commitments, retaining quality staff and developing strategic and enduring partnerships and leveraging other short-term sources of support. Nevertheless, it is good practice to review formula methods from time to time to test that these meet current objectives in least

burdensome ways. Higher Education Innovation Funding (HEIF) is Research England (RE)'s main method of allocation of formula funding for knowledge exchange (KE). HEIF has been the subject of testing and consultation in successive spending review exercises but has not been the subject of full review for some time.

5. In recent years, Government has asked us to increase our focus on incentivising and rewarding HEP KE performance. Government priorities have also focussed on increased support and assurance on university capabilities to manage intellectual property and undertake research commercialisation. Following Government priorities, we introduced the KE Framework (KEF) in 2020 and have been working with HE sector bodies on implementation of the sector-led KE Concordat. We were also provided with additional funding from BEIS in 2016 for the Connecting Capability Fund (CCF) which focusses on collaboration between HEPs in commercialisation and working with business. As a result of these factors, there has been an increase in the complexity of our approach with a number of important but potentially overlapping elements.
6. RE continues to manage HEIF in conjunction with the Office for Students (OfS), with HEIF funded from both Department for Business, Energy and Industrial Strategy (BEIS) and Department for Education (DfE) budgets. RE also works closely with other UK HE funding bodies including in knowledge exchange - sharing expert insights on approaches to funding, monitoring and evaluation of formula funding, as well as on how to develop the university environment for research and KE. There has been though significant change in the research and higher education agency landscape in recent years, and specifically there is a new context to RE KE as part of UKRI and particularly in context of UKRI's development of a research commercialisation funding framework.
7. It is in the context of all the above factors that the Government asked us in our most recent [2021-22 Funding and Priorities](#) letter:

“We welcome the long-term, comprehensive review of your approaches to knowledge exchange funding, including the HEIF formula, which you are launching this year, in consultation with the OfS. This will need to take account of key government priorities emerging out of delivery of the R&D Roadmap and Plan for Growth, including R&D, innovation and levelling up agendas. An important element

to the review will be taking forward the Knowledge Exchange Framework (KEF) and putting it at the heart of your approaches, including funding, accountability and continuous improvement methodologies (alongside the KE Concordat). We would like you to continue to pursue a robust outcome-based funding approach demonstrating value for money, balancing predictability in funding with more regular rewards for dynamism and having due regard to burden. Support of HEIF projects through the RED Fund has also been particularly valuable to stimulate innovations in KE and commercialisation that can generate greater value for money for longer run, and its contribution should be considered further in your KE review.”

What are we reviewing?

8. The main features of our current approach which will be the subject of this review are:
 - a. The **bulk of our funds for KE are allocated annually through the HEIF formula**. Funds are allocated **selectively toward high performance**. Full details of the method are at Annex A. The method uses data particularly drawn from the Higher Education Business and Community Inter-action (HE-BCI) survey collected by the HE Statistics Agency (HESA).
 - b. **A minority of funds are allocated to projects** with a view to improving efficiency and effectiveness, encouraging innovations and stimulating new KE activities and capacity. This includes through the Research England Development (RED) fund for exemplars and demonstrators in priority areas, and through competitive projects of the Connecting Capability Fund (CCF) focussed on sharing capabilities and good practices in commercialisation and working with business.
 - c. **Accountability for formula funds** is provided through submission and approval by us of HEP HEIF [accountability statements](#). HEPs must satisfy us that they have appropriate strategic objectives for KE against which they will use formula funds; that they have in place sound monitoring and management systems for funds; and that HEIF is being used to deliver Government priorities. We have reduced our [requirements for accountability](#) data related to efficiency and effectiveness in use of HEIF due to the

additional information provided by the KEF and the KE Concordat. We monitor formula funds annually, collecting evidence on use of funds and managing under spends. We evaluate HEIF periodically with the next major evaluation planned for 2022-23. Our accountability, monitoring and evaluation of KE project funds follows RE general practices for project programmes.

- d. The first [KEF](#) was published in 2021. KEF was intended to address Government concern that no HEP level KE performance data was published, and there was no way to make comparisons between HEPs. **KEF therefore provides enhanced assurance beyond HE-BCI data of a high-performing English KE HE sector.** KEF also provides evidence to enable HEPs to develop their performance to deliver their own strategic KE objectives and work with external partners. The KEF may also assist external KE partners directly by providing improved information about the knowledge and expertise available to them through HEPs. KEF may also provide better evidence and analytical techniques that might inform funding approaches.
 - e. The sector-led [KE concordat](#) is currently being piloted by [Universities UK](#) and [GuildHE](#). It provides a framework of eight principles for supporting good practice in KE against which HEPs self-assessed themselves and identified priority actions to drive improvement and success in KE in the future. The action plans received were peer evaluated with feedback provided on strengths and areas of development. For Research England, the KE Concordat **provides enhanced assurance that the high performance identified in the KEF is being furthered through a commitment by the sector to continuous improvement.** This also can provide RE with assurance on the efficiency and effectiveness in use of our funding.
9. Our approach is significantly based on HESA data, particularly the HE-BCI survey. In parallel with our review, HESA are undertaking a review of HE-BCI which will include consideration of the data needed to inform the approaches in this paper, as well as other policy priorities.

Our review objectives

10. In the light of all the above factors, we are undertaking a review of our KE funding and policy approaches with the following objectives:

- a. To review the fundamentals to our KE policy and funding approaches including, for example:
 - i. fit with Government priorities; as well as alignment of our KE policy approaches with RE's and UKRI's overall strategy, and also taking account of wider Higher Education policy and development;
 - ii. purpose and principles of funding;
 - iii. levels/criteria for formula and projects funding;
 - iv. methods for accountability, meeting public expenditure requirements, delivering efficiency and effectiveness and value for money, and monitoring and evaluation that meet latest Government/UKRI standards and minimise burden.
- b. To clarify the purpose of KEF and set out its long-term direction.
- c. To clarify our long-term commitment and approach to the KE Concordat, taking account of views of other stakeholders to the Concordat and particularly Universities UK and GuildHE who lead the work on behalf of the HE sector.
- d. To confirm our long-term approach to the HEIF formula funding method, taking account of all the above and OfS, UKRI and Government priorities.
- e. To develop and deliver a plan which implements all the consequential from the items above.

11. As part of our review we are also, working with OfS, setting in train a programme of work to update our policy on the criteria for HEP eligibility for HEIF. We have established a formal sub-group reporting to the full [Research England Council](#) and

we will communicate our final decisions as part of the overall KE review programme of work. The membership of the sub-group is Dr Carol Bell (Chair), Dr Richard Armour and Kellie Beirne.

Stages and timetable to the review

12. The review will have three high level stages:

- a. **Compiling evidence, stakeholder engagement and options development.** Spring-Autumn 2022. The focus of this document. The KE review will run alongside, and feed off, our necessary and continued business as usual work of: publication and use of latest HE-BCI data and contribution to the HE-BCI review; making HEIF allocations and awarding project funds; developing the KEF for the short to medium term; and supporting review of the pilot of the KE Concordat. In this first stage, the review will be broad and high-level, providing an opportunity for us to listen to a wide range of stakeholders on matters that are important to them, and to consider all available evidence.
- b. **(Initial) decisions.** 2022-2023. Our decisions in the second stage will narrow and target the review to the aspects of our approach that we wish to change. This may include and necessitate specific consultations, and our decisions publication will set out specific actions and timetables – taking account of latest Government priorities - as well as providing feedback on what we have heard and learnt in stage one.
- c. **Implementation** 2023-2025. This stage may include further development work and potentially other, specific consultations. Our review may lead to a need for long-term changes - for example, the definition and collection of new data - which can only be delivered over many years.

The key initial questions

13. The following questions will form the agenda for our discussions with stakeholders (paragraphs 14-42). We expect different stakeholders to be interested in different questions and we will be led by those priorities to set the focal points for discussion at different events. Some background notes on the topics in questions are at Annex B.

Overview

14. Is there a common understanding of how we define knowledge exchange? What should or should not be included in the definition?

15. What KE activities should public funding support – and what are responsibilities of others, for example, businesses and other users? What legal and regulatory and other factors are relevant? How do we ensure that HEP KE activities are sustainable?

16. Where – in the areas below - could we focus more to deliver better current Government priorities?

- a. Improving research commercialisation and working with business: in recent years, we have taken particular action to address Government priorities in this area. What more could we do to help both improve and demonstrate success?
- b. Place and levelling up.
- c. Student benefits – both through involving students in KE, and in helping their development.

17. Are our approaches appropriately aligned with other key drivers of success in KE? Including within RE, across UKRI, across the UK and with local bodies, such as with:

- a. Research funding and policy.

- b. Student/teaching related.
- c. Place and levelling up agendas.

18. How does RE KE funding interact effectively with other sources of KE funding, e.g. from across UKRI and the wider research and innovation system? How does RE KE funding add value to HEPs own investments?
19. Metrics are valuable because they can be used in a range of different ways (for example in a formula, the KEF and in spending review evidence) and at institutional and sector levels and hence may be lower burden than, for example, narratives, if well specified. Narratives can provide increased detail and nuance but have limited use particularly for sector wide evidence. Have we got the right balance of metrics and narratives in our approach?
20. How should we measure and demonstrate success in KE?
21. What value is there in providing projects funding in addition to the HEIF formula? Would more or less project funding be valuable, and focussed on what objectives?
22. KE is intended to deliver external (to HEP) economic and societal benefits. How could we strengthen the voice and influence of economic and societal beneficiaries and stakeholders in our KE policies and approaches?
23. What steps could we take to improve equality, diversity and inclusion in KE?

HEP incentives

24. We need to balance delivering Government priorities for KE with working with the grain of the specific/unique characteristics of HEPs that determine what they can optimally achieve. Do we currently strike that balance well?
25. What criteria could we apply to inform the balance between maximising measurable impact with sustaining a reasonable breadth and diversity of KE contributions – by HEPs, partners, places?
26. How do we ensure/enable that HEPs continue to innovate in their KE activities?

27. Do we incentivise collaboration between HEPs sufficiently? What other approaches could we use?
28. Is our approach to accountability proportionate in terms of burden? Could it be made more effective?

Knowledge Exchange Framework (KEF)

29. Does the KEF improve transparency and enable comparisons of HEP performance? Is this useful?
30. What purposes does KEF fulfil well? What purposes could it fulfil well - and what steps would be needed to develop the KEF to meet those purposes?
31. Do stakeholders have a shared understanding of what 'good' performance look like in KE? Including the value of breadth of activity across a number of aspects against depth within specific areas?
32. What specific features to KEF might be valuable to inform our funding approaches?

Knowledge Exchange Concordat

33. The sector-led KE Concordat is still in a pilot phase (with a development year recently completed), but is it showing promise to provide enhanced assurance of the HE sector's commitment to continuous improvement in KE? What are its strengths – and weaknesses – so far?
34. RE has reduced the burden of its data collection for HEIF accountability by seeking evidence from the KE Concordat relevant to efficiency and effectiveness of use of public funds. Is this satisfactory? Could HEIF accountability and the KE Concordat action plan process be better aligned to reduce burden and increase effectiveness?
35. Could synergies and alignments between the KEF and the KE Concordat be improved?
36. What importance is attached to different exercises being HE sector led – and being funder led?

HEIF

37. Is the scope of what we fund through HEIF currently appropriate?
38. How do we give assurance to Government that HEPs choosing KE activities will deliver value for national priorities? What are the arguments/evidence for allowing HEPs to have discretion to use funding for the full range of KE activities beyond those counted in the funding formula?
39. The current method aligns the way we provide evidence to Government on success of HEIF with drivers on HEPs – rewarding and incentivising “performance” which is used to demonstrate the return on investment of the funds. This makes the system pull together to deliver best/measurable as a composite whole.
- a. Are there other objectives than rewarding/incentivising performance that we should consider in devising a model?
 - b. Are there better means to align allocations and evidence of success of the programme?
 - c. Income is the best proxy we have for the impact of KE activities on the economy and society (see Annex B). However, it has a downside that we might appear to incentivise HEPs to focus on income not outcomes. What means are there to increase focus on measurable outcomes?
40. We currently address an ongoing Government priority to fund only a critical mass of measurable performance in KE through operating a threshold before a HEP gains a HEIF allocations. This reflects higher assurance needed on flexible formula funds used at HEP discretion, to work with future partners, compared with project funding against an approved project bid including specific partner contributions. What are the strengths and weaknesses of our current approach - and what other options are there?
41. There is clear value from some predictability in funding in order to enable HEPs to plan long-term (though this is dependent on stability in Government funding for KE). However, in a performance-based funding system, regular rewards for dynamism

are also important. How should we strike the right balance between these factors?
What implications should this have for our method?

42. We apply caps and modifiers to allocations that curb reward for HEPs improving their performance so that we preserve sufficient resource to protect other HEPs against unmanageable reductions in funding. Are we striking the right balance between rewarding improvement and protecting against waste?

Stakeholder engagement and evidence gathering

Stakeholder meetings

43. The first stage of the KE review is an opportunity to listen to a wide range of views and stakeholders and hence we do not wish to constrain the avenues of discussion through a set of precisely designed questions that are suitable for a formal written consultation. We will consult, if appropriate, on specific changes we propose to make during the second stage of the KE Review.
44. We believe that hearing discussion between different stakeholders, including different types of HEPs, on the different balances that we should strike will be particularly valuable.
45. We are therefore putting in place a series of stakeholder events that will involve different types of HEPs and/or different types of stakeholder. Research England will deliver up to three events between late May – July, with further events set up in partnership with the National Centre for Universities and Business ([NCUB](#)), the National Centre for Academic and Cultural Exchange ([NCACE](#)), the National Coordinating Centre for Public Engagement ([NCCPE](#)), Universities UK ([UUK](#)), [GuildHE](#) and [Independent HE](#). These events will focus on the key initial questions but will offer opportunity to make comment on any aspect of RE KE funding and policy approaches. HEPs will be able to nominate a member of staff to attend the events, and we encourage them to brief this individual on views across their institution in relation to RE's approach to KE funding.

46. Additionally, HEPs should raise with our Institutional Engagement Managers (IEMs) in their regular meetings with IEMs if they believe that important issues have not been raised during the stakeholder engagement period.

Lead organiser/Partner	Intended audience	Date/time of event	How to register your interest
RE-led events	Invited event for HE senior leadership	18 May 2022 15 June 2022 28 June 2022	RE will contact relevant providers shortly
Independent HE	Invited event for Independent HE members	9 May 2022	Independent HE will contact members with details
GuildHE	Invited event for GuildHE members	19 May 2022	GuildHE will contact members with details
Universities UK (UUK)	Invited event for representatives of UUK member universities	25 May 2022	UUK will contact members with details
National Centre for Academic and Cultural Exchange (NCACE)	Open event – directed to arts and culture KE community	14 June 2022	Express interest here to receive NCACE communications about the event
National Co-ordinating Centre for Public Engagement (NCCPE)	Open event – directed to Public Engagement KE community	21 June 2022	Express interest here to receive NCCPE communications about the event
National Centre for Universities and Business (NCUB)	Open event directed to Business and HE KE community	27 June 2022	Express interest here to receive NCUB communications about the event

47. Please use the link below to express an interest in attending the open events:

https://www.surveymonkey.co.uk/r/KE_review_engage

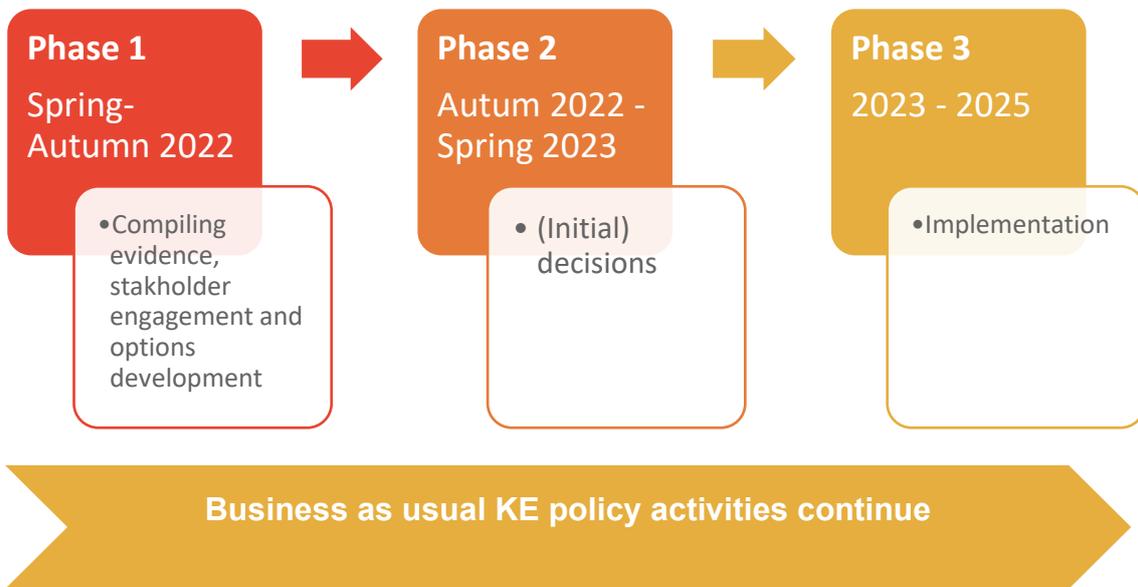
Evidence

48. We have asked the [University Commercialisation and Innovation policy evidence unit](#) at University of Cambridge, led by Tomas Coates Ulrichsen, to advise us on the latest academic and expert literature and evidence relevant to our review. We are also seeking advice from the stakeholder bodies that are facilitating events described in paragraph 45 who will also compile and seek suggestions at events on important sources of evidence. We welcome any additional academic or expert evidence and analysis on any of the matters raised in the key questions above and relevant to the review more generally. We would welcome particularly evidence on overseas and international comparisons that might inform our work. Evidence contributions should be submitted by email to the knowledge exchange policy team at KEPolicy@re.ukri.org by Friday 29 July.
49. We do not require case studies, written submissions of views or comments from HEPs or stakeholders, representative or professional bodies at this stage. We will gather views and comments through the programme of stakeholder events. We will set out details of any specific written consultations to be conducted in our communications at the end of stage one.

Annex A - Current HEIF method and outline timetable

Purpose	Support for a broad range of knowledge exchange activities across all subjects which result in economic or societal impact.
Accountability	Formula funding released against a high-level accountability statement on use of HEIF. Annual monitoring of spend and progress.
Data used to calculate allocations	<p>HE-BCI Contract Research</p> <p>HE-BCI Consultancy</p> <p>HE-BCI Equipment and facilities</p> <p>HE-BCI Regeneration</p> <p>HE-BCI Intellectual property income</p> <p>HESA Finance Record Non-credit-bearing course income</p> <p>Innovate UK Knowledge Transfer Partnerships income</p> <p>Note: SME income double weighted where data is available</p>
Data years and weighting	Allocations recalculated annually using the three most recent available years of data, weighted 2:3:5.
Threshold (minimum allocation)	<p>HEPs that do not achieve an allocation equal to or higher than a threshold receive no allocation at all.</p> <p>The 2021-22 HEIF allocation threshold was £250,000</p>
Cap (maximum allocation)	<p>Cap on maximum allocation per HEP.</p> <p>The 2021-22 HEIF allocation cap was £4,285,000</p>
Moderation	<p>Annual transition so no HEP (subject to being above the minimum threshold, and below the maximum allocation) sees its allocation increase or decrease by more than a set percentage of its allocation. Ordinarily this is $\pm 10\%$, although this may be varied depending on total funds to allocate.</p> <p>The 2021-22 HEIF moderators were $\pm 10\%$</p>
Top-up allocations	<p>Allocated pro-rata between those HEPs on the maximum allocation (although awards are calculated with a minimum and a maximum to provide effective incentives for all HEPs on the cap). There are no transitional modifications, and the top-up is not considered as part of the HEP's core allocation from which future years are calculated.</p> <p>The 2021-22 HEIF supplement was £500,000</p>

KE Review timetable



Annex B - Background notes

How we define KE:

Our high level description of KE is: universities and other higher education institutions exchanging knowledge with the wider world, in a way that contributes to society and the economy.

We have found that Figure 1 a useful diagram to unpack that high level description:

Figure 1 – What we mean by Knowledge Exchange

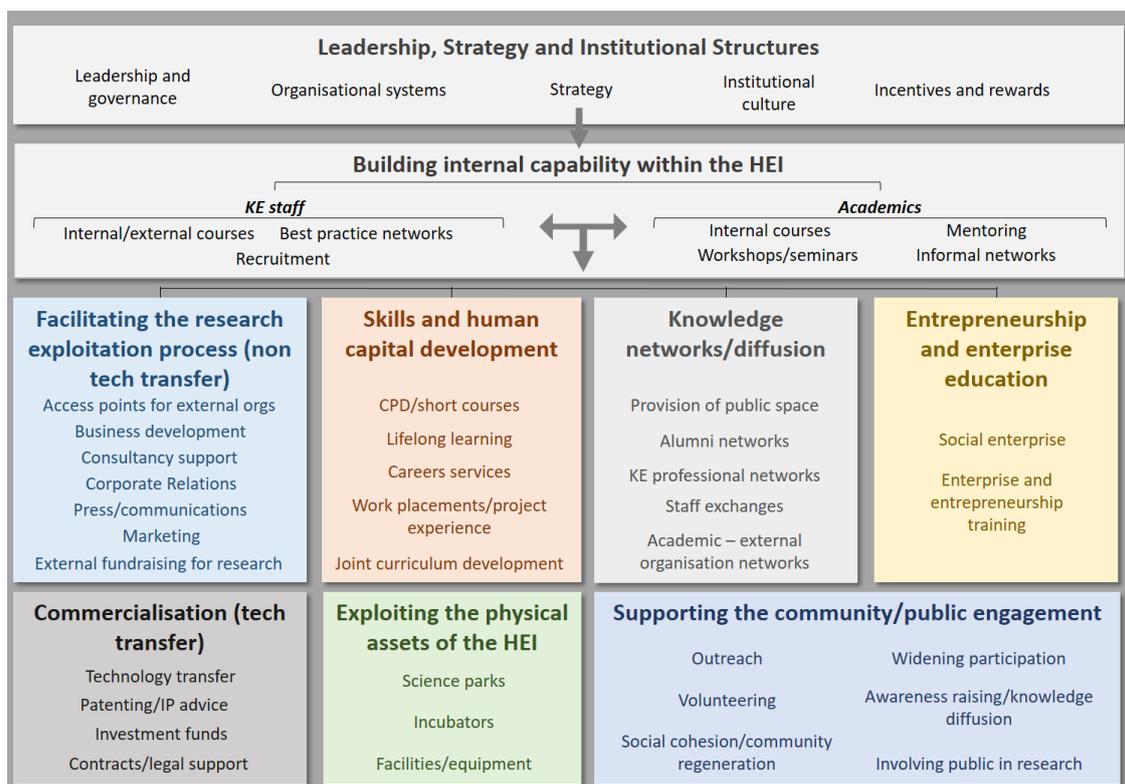


Figure 1 produced by Tomas Coates Ulrichsen (2017).

The Higher Education and Research Act 2017, [section 93 \(4\)](#) also provides a definition of knowledge exchange which is used in the Act to describe the powers of UKRI and RE:

“For the purposes of this Part, “knowledge exchange”, in relation to science, technology, humanities or new ideas, means a process or other activity by which knowledge is exchanged where— (a) the knowledge is in, or in

connection with, science, technology, humanities or new ideas (as the case may be), and (b) the exchange contributes, or is likely to contribute, (whether directly or indirectly) to an economic or social benefit in the United Kingdom or elsewhere.”

What activities can HEIF support?

HEIF can only be used to fund knowledge exchange activities which includes research and teaching/student related KE. It is currently limited to revenue not capital use. Examples of activities that are not eligible to be funded by HEIF because they do not meet the knowledge exchange definition above or cannot be supported by recurrent funding include:

- Research that does not involve an external partner, for example collaborative research with another higher education provider only.
- Teaching that does not involve an external partner, for example cross-disciplinary curriculum development.
- Capital expenditure such as building construction or refurbishment.
- Research administration such as the preparation of REF impact statements (although KE activities to achieve the impact would be eligible).
- Outreach programmes that are primarily aimed at student recruitment or widening participation.

Using income as a proxy for impact

The case for the relevance and usefulness of using income as a proxy for impact in measuring and evaluating KE performance and allocating HEIF has been set out in a technical note by Tomas Coates Ulrichsen - Director of the University Commercialisation and Policy Unit at the University of Cambridge:

“Measuring the impacts arising through KE is also incredibly challenging. Pathways to impact are long and varied and depend on significant complementary investments by others. Given these challenges, there is a dearth of easily measurable, auditable, and comparable impact metrics. There is thus a trend towards measures of ‘implied demand’ rather than ‘actual outcomes.’

“What does KE income tell us about KE outcome performance?”

“The HEIF funding allocation process aims to incentivise HEIs to focus on delivering economic and societal outcomes. To do so, it aims to reward HEIs for higher KE outcome performance through relatively higher allocations. To achieve this, it uses KE income as a proxy for KE outcomes. What, then, does KE income tell us about performance? KE income provides an important indication that valued linkages are forming between the university base and the wider economy to diffuse and exchange knowledge. If reasonably well governed and accountable organisations are willing to pay for KE, they must believe some value is being derived. At minimum therefore, KE income represents an implied demand for the capabilities and expertise available within HEIs.”

“Standard economic theories of the firm would also suggest that the price paid for a good or service reflects the marginal (the additional benefit the consumer receives from one additional unit) contribution of that good or service to their organisation. However, KE is believed to lead to complex spillovers, multiplier effects, supply chain effects, and unexpected benefits emerging through both the deployment of the acquired knowledge and through the KE process itself (for example, learning by doing and interacting). This suggests that the price paid does not fully capture the additional socio-economic benefits of the consumption of KE. One could argue, therefore, that KE income represents a minimum bound on the monetary value of the KE.”

“The amount of KE income generated (attributable to HEIF) also provides an indicator of the degree of leverage it generates for knowledge diffusion and exploitation. A distinctive benefit of the transition towards formula funding is the flexibility it gives to HEIs proactively to target and respond to emerging opportunities, and leverage other sources of KE funding. Crucially, it is also used to demonstrate the potential, and reduce the risk, of KE activity to attract subsequent investment.”

“KE income can also be aggregated across different KE mechanisms and compared across institutions. This is not true of non-monetary-based KE measures.”

“In conclusion, allocating HEIF funding through formula driven by KE income goes some way to incentivising HEIs to focus on strengthening socio-economic impacts through KE. While not a direct measure of socioeconomic impacts, it does provide an auditable, easily measurable and comparable metric that provides an indicator of implied demand for knowledge exchange and the power to leverage additional funds to support the process. There is currently a lack of alternative metrics without the introduction of a major new data collection exercise.”