

# Knowledge Exchange: business and commercialisation

This document provides additional details on how Research England will address in our knowledge exchange funding the government's priority to increase focus and funding on university-business collaboration.

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To	Heads of English higher education providers
Of interest to those responsible for	Knowledge Exchange, including directors of knowledge exchange and PVC Research and Enterprise/Innovation
Reference	RE-P-2022-06
Publication date	3 November 2022
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## Introduction

1. This document provides additional details on how we will address in our funding for knowledge exchange the government's priority to increase focus and funding on university-business collaboration, as detailed in the [guidance from the Department of Business, Energy and Industrial Strategy \(BEIS\) for 2022-23](#). We also take account in our approach of other BEIS priorities of improving university intellectual property (IP), commercialisation and local growth considerations.
2. This initiative is in the context of government's commitment to support of all forms of knowledge exchange, including through our increase in Higher Education Innovation Funding (HEIF) to £260 million per annum from 2022-23. It is also in the context of the development of UKRI's research commercialisation funding framework.
3. This document focusses on the knowledge exchange contribution to addressing the government's priority on university-business collaboration. Alongside this, Research England is also increasing funding for research in collaboration with business through a 36 percent increase to Business quality-related research (QR) funding (from £84m to £114m) and an investment of £100m towards a seventh round of the UK Research Partnership Investment Fund.
4. This document provides further details to [circular letter: funding budgets for 2022-23 to 2024-25 \(RE-CL-2022-04\)](#) and [Research England: how we fund higher education providers](#). It should be read in conjunction with the relevant notification of allocations: for instance [HEIF business & commercialisation supplement allocations 2022-23](#). Terms and conditions set out in this document apply to annual allocations of this funding, as noted in the relevant year's announcement of allocations.

## HEIF business and commercialisation supplement

5. We set out in [circular letter: funding budgets for 2022-23 to 2024-25 \(RE-CL-2022-04\)](#) that we are allocating an additional £20 million per annum specifically focussed on knowledge exchange with business and commercialisation. Individual higher education provider (HEP) [business and commercialisation supplement allocations for 2022-23](#) are now published.
6. This new funding supplements HEIF with a specific focus on driving additional business collaboration and commercialisation performance in line with the BEIS guidance priority. All forms of working with business and commercialisation activity are eligible use, including intellectual property exploitation, business engagement with large and small businesses and local economic development – all of which drive UK economic growth. As well as giving a boost to innovative approaches to economic challenges needed now, the funding is intended to enable embedding of

valuable legacies from the significant additional funding UKRI has allocated to implement industrial strategy priorities since 2016, including Connecting Capability Fund (CCF) project legacies.

7. This funding is a supplement on top of HEIF allocations and is secured against HEIF accountability arrangements (see paragraph 12). Only HEPs in receipt of HEIF in a given year are eligible to receive a supplement allocation.
8. Our intention is to provide this supplement annually for each year of the current spending review period, with supplement allocations notified as part of our annual funding process in future years. For simplicity in a supplemental allocation, we will re-calculate allocations each year with no annual modifier. We are applying a top cap to allocations of £1 million in each year. This is intended to provide some incentives for higher performers while enabling allocations to a breadth of HEPs to deliver a broad range of types of business and commercialisation interactions that may be important to drive economic growth, across the country.
9. Supplement allocations are calculated using a performance-based data-driven formula, primarily using a subset of the tested income-based metrics used in the core HEIF formula that capture specifically collaboration with business or commercialisation. Metrics over a three-year period will be used, weighted towards the latest year of performance as with core HEIF allocation calculations. Full list of qualifying income metrics being used are at [Annex A](#).
10. To reflect the government priority to support all forms of business engagement and commercialisation, including the important IP exploitation and spin-outs agenda, we will use all available metrics to ensure we are supporting and incentivising all relevant activities. We are therefore using income from the sale of shares in spin-outs as a performance metric for the first time in funding through its inclusion in supplement calculations. The time-limited nature of the supplement will allow us to review the use of this metric at the end of this funding period. This will be as part of our overall work on improving commercialisation metrics (see paragraph 16).
11. In addition, income specifically from engagement with small to medium sized enterprises (SMEs) will be triple weighted for supplement calculations compared to the double weighting in core HEIF allocations. This reflects the importance of the support given by HEPs to both local SMEs, as part of the local growth agenda, and to spin-outs, which are a subset of SMEs.
12. HEPs are required to use the supplement allocation solely for business and commercialisation activity. This should include using this supplement for effective support of spin-outs where that is appropriate to the HEP's strategic objectives. Activity supported by this supplement should be additional to business and commercialisation work supported through HEIF, so that we meet the government priority for more funding overall to be focussed on this important policy area.

13. We will ask for an assurance statement on sole use in our next Annual Monitoring Statement exercise. HEPs will be asked to report in following Annual Monitoring Statement exercises on use of the supplement against the same expenditure categories as for HEIF (with HEIF and the supplement use being recorded separately). We may also ask HEPs for (optional) examples of flagship developments supported by the supplement, to provide case studies for national policy of innovative approaches being supported through the funding. The next HEIF Annual Monitoring Statement will also provide the opportunity to notify us should HEPs wish to adjust their KE strategic objectives set out in their approved HEIF accountability statements to accommodate these new funding and policy directions as a result of this communication, though this is not required. Alternatively, HEPs may email [KEPolicy@re.ukri.org](mailto:KEPolicy@re.ukri.org) to advise of any changes.

## Research England Development (RED) Fund CCF / Commercialisation Programme

14. We will meet the government's priority through both our formula funding and our support of innovative project developments. Business engagement, commercialisation and place are already important priorities for our RED Fund.
15. In addition, we will allocate funding for scale and collaboration in commercialisation – our CCF priorities – through competitive calls for projects focussed on key commercialisation priorities, managed through our RED Fund processes. We are appointing a commercialisation expert group to support the processes of determining priorities for calls and assessing bids in response, providing specialist advice to Research England including to the RED Fund panel. We will take account of government priorities, expert advice and findings on learning and best practice from the CCF programme to date, to determine the priorities and details of competition calls. We expect to launch the first call in early 2023.

## Monitoring

16. We will monitor delivery of the BEIS guidance priority at a sector level taking account of:
- a. Data from Annual Monitoring Statements on how HEIF and HEIF supplement allocations are being spent, and from CCF RED project allocations – to demonstrate that more funding is focused on business and commercialisation.
  - b. Data from annual HE-BCI survey returns and case studies – to demonstrate that more business and commercialisation activity is occurring successfully.

17. Our monitoring results will inform funding policy for the longer term, as well as decisions on any further targeting of project funds and our other policy work such as on metrics. We are committed to ensuring that the right data and evidence is available to support development of policy, funding and institutional performance and practice, working particularly with the University of Cambridge Policy Evidence Unit for University Commercialisation and Innovation. This will include consideration of metrics used in this supplement and in the Knowledge Exchange Framework (KEF).

## Annex A – HEIF business and commercialisation supplement: Qualifying Income (QI) Metrics

HEIF Supplement Qualifying Income
HE-BCI <b>Business</b> contract research income*
HE-BCI <b>Business</b> consultancy income*
HE-BCI <b>Business</b> facilities & equipment income*
HE-BCI Total intellectual property ( <b>including</b> sale of shares in spin-outs) income*

\*SME income is triple weighted for HEIF supplement calculations

We take account of income over a three-year period, weighted towards the latest year of performance at 5:3:2.