

January 2008/02

Core funding/operations
Request for information

Returns should be made by 14 April
2008

This document sets out how funding under the Higher Education Innovation Fund will be made available to all higher education institutions for the three years 2008-09 to 2010-11. It invites institutions to submit strategies to confirm their formula funding allocations. A template is provided for institutional strategies, for completion and submission electronically.

Higher Education Innovation Fund round 4

Invitation and guidance for institutional strategies

Department for
Innovation,
Universities &
Skills

HIGHER EDUCATION
FUNDING COUNCIL FOR ENGLAND



Alternative formats

This publication can be downloaded from the HEFCE web-site (www.hefce.ac.uk) under Publications. For readers without access to the internet, we can also supply it on CD or in large print. Please call 0117 931 7035 for alternative format versions.

© HEFCE 2008

The copyright for this publication is held by the Higher Education Funding Council for England (HEFCE). The material may be copied or reproduced provided that the source is acknowledged and the material, wholly or in part, is not used for commercial gain. Use of the material for commercial gain requires the prior written permission of HEFCE.



Higher Education Innovation Fund round 4

Invitation and guidance for institutional strategies

To	Heads of HEFCE-funded higher education institutions Heads of higher education institutions in Northern Ireland
Of interest to those responsible for	Knowledge transfer; innovation; enterprise; interactions between higher education and business, public sector bodies and third sector partners; contract and collaborative research; continuing vocational education or professional development; strategic planning; and regional and local economic development.
Reference	2008/02
Publication date	January 2008
Enquiries to	Alice Frost, Head of Business and Community Policy, HEFCE tel 0117 931 7101 e-mail: a.frost@hefce.ac.uk Alex Thompson, Policy Officer, HEFCE tel 0117 931 7041 e-mail: a.thompson@hefce.ac.uk

Executive summary

Purpose

1. Funding under the fourth round of the Higher Education Innovation Fund (HEIF 4) is designed to support and develop a broad range of knowledge transfer activities which result in economic and social benefit to the UK. The fund builds capacity and provides incentives for higher education institutions (HEIs) to work with business, public sector bodies and third sector¹ partners, with a view to transferring knowledge and thereby improving products, goods and services. This document sets out how funding distributed under HEIF 4 will be allocated on the basis of formula calculations and invites HEFCE-funded HEIs to submit institutional strategies to release their funds.

Key points

2. HEIF 4 is a joint initiative from HEFCE and the Department for Innovation, Universities and Skills (DIUS), and will provide funding to HEIs in England from August 2008 to July 2011.

¹ The 'third sector' is defined by the Cabinet Office on its web-site as follows: 'The third sector is a diverse, active and passionate sector. Organisations in the sector share the common characteristics of being non-governmental organisations which are driven by their values and which principally reinvest any financial surpluses to further social, environmental or cultural objectives. It encompasses voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small.'
(www.cabinetoffice.gov.uk under Third Sector)

3. We consulted extensively in 2005, with HEIs and other interested parties, on the method for allocating funds under HEIF round 3 (for 2006-07 and 2007-08), including considering in detail the approach to allocating funds through a formula. A review of science and innovation policies was undertaken last year for the Government by Lord Sainsbury. The Sainsbury Review was published in October 2007 and recommended that a formula allocation method be used for HEIF 4 funding, based on the HEIF 3 model. The recommendations were accepted by the Government and key features of HEIF 4 were announced by HEFCE. This document sets out final and full details of this HEIF 4 formula method, in the context of the policies of the newly-formed DIUS on science and innovation.

4. HEIF 4 funding is provided for the three academic years 2008-11. For 2008-09 £112 million is available, £134 million in 2009-10 and £150 million in 2010-11. Funds are being provided

through a formula allocation to all eligible HEIs. In addition, a fifth and final allocation of £8 million is made available for existing Centres for Knowledge Exchange (CKE) for academic year 2008-09.

5. We expect to announce final HEIF 4 allocations, calculated using 2006-07 data, in March 2008.

6. We invite HEIs to submit institutional strategies, in line with the guidance in this document, to release this funding. In order to assist HEIs in preparing their strategies, we have provided indicative modelling of formula allocations, based on historic 2005-06 data, on our web-site www.hefce.ac.uk under Business & community/HEIF 4.

Action required

7. Institutional strategies should be sent, by e-mail only, to businessandcommunity@hefce.ac.uk by **12.00 noon** on 14 April 2008.

Table 1 **Timetable for HEIF 4 funding allocations**

October 2007	Sainsbury Review, Government Spending Review decisions and Science Budget allocations published. Communication by HEFCE to HE sector on key elements of HEIF 4 method following from the Sainsbury Review
November 2007	Notification to HE sector of final decisions on HEIF 4 formula from HEFCE. Publication on HEFCE web-site of the modelling for indicative allocations (based on historic 2005-06 data) for HEIs' planning purposes only
14 January 2008	Deadline for return of data for the HE-BCI 2006-07 survey
January 2008	This document invites HEIs to submit strategies
Early March 2008	HEFCE announcement of final formula allocations for individual HEIs (based on 2006-07 data)
14 April 2008	Deadline for HEIs to submit strategies to HEFCE
14 April – May 2008	HEFCE assesses strategies (with HEIs informed on a rolling basis when strategies are approved and funds released)
June 2008	Final decisions taken by HEFCE on: <ul style="list-style-type: none"> • any strategies considered unacceptable for funding • the conclusions of the overview report • any strategies for commendation
July 2008	HEFCE publication of HEIF 4 outcomes, including final allocations to all HEIs, and overview of strategies
August 2008	HEIF 4 funding begins

Overview

8. The 10-year strategy set out in the Government's Science and Innovation Investment Framework (SIIF) in 2004 identified the need for continued public investment to strengthen links between the knowledge base in HEIs and businesses and society in order to increase economic impact. In particular, the Government set out its intention in the SIIF to make HEIF a continuous, permanent third stream of funding. In September 2007 the Government revisited the strategy in consideration of the Sainsbury Review of Science and Innovation. The Sainsbury Review confirmed the priorities set out in the SIIF and made recommendations for enhanced, future government support for science and innovation in the context of an 'innovation ecosystem' (the range of inter-linked policies and activities which influence an economy's rate of innovation). In particular, the review endorsed the continuing importance of HEIF, highlighted the range and diversity of HEIs' contributions to the economy and society, and argued that this diversity should be reflected and supported further through the design of HEIF in round 4. It also recommended that more encouragement should be given to knowledge transfer with small and medium-sized enterprises (SMEs).

9. Reflecting the long-term strategy set out in SIIF and the Government's acceptance of the Sainsbury Review recommendations, HEIF 4 will therefore develop from previous rounds of investment to:

- build on what has been achieved through earlier rounds of funding
- further develop and release higher education (HE) knowledge for the economic and social benefit of the UK
- support HEIs to build and extend their capability to engage with users of knowledge in business and the public service and third sectors, locally, nationally and internationally, according to their own diverse missions, alongside and integrated with teaching and research.

10. In line with Lord Sainsbury's recommendations, HEIF 4 will be fully formulaic, signalling the increasing priority given by the Government to knowledge transfer from HE and the greater maturity of this activity within the sector following several years of targeted funding. A stable formulaic funding stream enables HEIs to make long-term commitments, to provide continuity and to have greater strategic flexibility to focus on their own strengths. The formula approach will also reduce the accountability burden on HEIs (and HEFCE has completed a sector impact assessment to this effect). Further details on how the HEIF 4 method will reflect the Sainsbury Review recommendations are given in paragraphs 21-24.

11. Innovation and collaboration in knowledge transfer were previously the focus of competitive HEIF funding, and they remain important priorities for DIUS and HEFCE as funders. We will expect HEIs to consider and develop their approaches to continuous improvement, innovation and collaboration in their knowledge transfer activities, using HEIF formula and other funding provided within the national innovation ecosystem and we expect to see these features prominently highlighted in institutional strategies submitted to us (discussed more in paragraphs 31-40).

12. The Sainsbury Review will provide the basis for further development of other parts of the national innovation ecosystem, responding to new agendas such as development of the creative industries and innovation in the services sector. To take this forward, DIUS has announced its intention to publish a new science and innovation strategy in the Spring 2008. We will expect HEIs to use their HEIF 4 formula funds to respond flexibly within this overall ecosystem and to play a full part in the roll-out and achievement of the aims and goals of the new science and innovation strategy. The Government has also set out its intention to continue HEIF into further rounds beyond this funding period, when increased emphasis will be given to the performance component of HEIF. Again, we expect HEIs to use their HEIF 4 funding to develop and enhance their performance further for the longer run.

13. We set out in our employer engagement strategy² that our work with employers would draw upon HEFCE's existing support, through HEIF funding, for an infrastructure within HEIs enabling them to engage with a wide range of business, public sector bodies and third sector partners. In round 4 HEIF will continue to form part of HEFCE's employer engagement strategy by:

- attracting users of knowledge who may also be employers
- encouraging knowledge transfer that may happen most effectively through the flow of people (particularly at highly qualified levels)
- contributing to the development of enterprise and entrepreneurship (which in turn contributes to business innovation) and continuing professional development.

Funding method

Funding available

14. Funding of £112 million is available in 2008-09, with £134 million and £150 million available in 2009-10 and 2010-2011 respectively. This funding comes from both the DIUS Science Budget (£85 million in 2008-09, £99 million in 2009-10 and £113 million in 2011-12) and from HEFCE (£27 million in 2008-09, £35 million in 2009-10 and £37 million in 2010-11).

15. The new funding represents a significant uplift since HEIF 3 - with a 30 per cent increase overall and an 80 per cent increase in the formula element between HEIF rounds 3 and 4. This reflects the importance of this agenda to the Government and the confidence placed in the HE sector to contribute to the nation's competitiveness and quality of life. It also provides an opportunity for, and poses a challenge to, the HE sector to use the funds effectively towards achieving higher third stream performance in the future.

16. In addition, £8 million is being allocated in 2008-09 for a fifth and final year of funding to

CKEs, which were initiated in 2004 under HEIF 2. We have written separately and directly to HEIs in receipt of CKE funding on the process for release of this final year of CKE funds.

Eligibility

17. All HEFCE-funded HEIs in England are eligible to receive funding.

Purpose of funds

18. HEIF 4 funds are expected to support HEIs in developing and undertaking a broad range of knowledge transfer activities which result in economic and social benefit to the UK. This includes support for the infrastructure for, and capacity-building in, enterprise education and projects.

19. Whilst all HEIF-funded activities should benefit the 'world outside' HEIs, some may not generate large amounts of net income for the HEIs themselves. Funding is focused on promoting activities that result in economic or social benefit to the UK, or both. While engagement with business and wealth creation are critically important, we note that a large proportion (50 per cent) of knowledge transfer income to the sector reported in the Higher Education-Business and Community Interaction (HE-BCI) survey comes from non-commercial partners such as public sector bodies and third sector partners. Through these kinds of interactions the HE sector makes a contribution to the delivery of public policy and quality of life of the nation that is equally important as its contributions towards commercial wealth creation. Funds have been allocated by formula so that HEIs may choose the most effective methods and partners for engagement, which involves the transfer of HE knowledge and expertise and leads to positive and measurable economic or social impact on the intended beneficiary.

20. HEIF funding supports HE capacity to undertake knowledge transfer, and is not intended to duplicate the publicly-funded business support

² Further information on HEFCE's strategy for supporting employer engagement in relation to skills and lifelong learning is available on the HEFCE web-site under Learning and Teaching/Employer Engagement

activity provided by central government departments and their agencies, such as Regional Development Agencies (RDAs) and the Learning and Skills Council.

Formula for allocating HEIF 4

21. The full and final method for allocating funds under HEIF 4 has been agreed by the HEFCE Board and DIUS and is based closely on the HEIF 3 formula which was explained in detail in HEFCE 2005/46. The key features of the HEIF 4 method are as follows:

- a. A first component (40 per cent) is allocated with a focus on capacity-building and HEIs' potential and is based on full-time equivalent (FTE) academic staff numbers.
- b. A second component (60 per cent) is allocated on the basis of performance, using various measures of income from business and non-commercial sources as a proxy for the value placed on HEIs' activities by users of knowledge in the wider economy and society. SME income is double-weighted within this component. (Note that income related to SME engagement – rather than income from SMEs themselves – such as money coming from RDAs and EU Structural Funds, will not be double-weighted because this funding already represents additional public support for SME engagement.)
- c. A minimum allocation of £100,000 per year will be awarded to all HEIs.
- d. There will be an absolute cap of £1.9 million on an individual formula allocation in 2010-11 (with HEIs receiving allocations in 2008-09 and 2009-10 based on a linear progression between their 2007-08 HEIF 3 allocation and 2010-11 HEIF 4 allocation).
- e. There will be a maximum increase (relative cap) of 150 per cent between 2007-08 HEIF 3 formula allocations and final year HEIF 4 allocations, 2010-11.
- f. There will be 'transition' funding to ensure that throughout the three years of HEIF 4, no HEI's allocation will fall below 80 per cent of its

2007-08 HEIF 3 award. This is to protect HEIs against an unmanageable drop in funding between HEIF 3 and HEIF 4.

22. The rationales for the components of the formula, moderating and transitional factors were set out in guidance on HEIF 3 (HEFCE 2005/46). In line with the direction signalled in HEIF 3, the performance component has been increased. A double weighting has been given to SME income within the second component to signal the importance of working with SMEs, as identified by the Sainsbury Review and the HEFCE strategic plan. We have also been concerned in HEIF 4 to achieve a formula that maintains important built capacity, develops capacity across the diversity of HEIs, and promotes higher performance and dynamism.

23. The third component to the formula used in HEIF 3 will not be used to calculate allocations in HEIF 4. The third component was introduced as a proxy for the value of knowledge transfer activity that is not reflected well in external income measures. However, we have concluded that the measures used are not sufficiently robust for allocation of larger sums of money in HEIF 4 and were anyway fairly imperfect proxies for value. The scope of HEIF remains though the same as for past rounds and is not limited to economic impact on the commercial wealth-creating sector. We note that around half of HE third stream income used in HEIF calculations comes from public services, third sector and regeneration work and hence the value of these interactions is reflected in the performance component of the formula.

24. We summarise the method used in HEIF 3 and our past announcements to the HE sector on the method to be used in HEIF 4 at Annex A.

Data

25. The data used to calculate HEIF 4 formula allocations will be drawn predominantly from the HE-BCI survey and Higher Education Statistics Agency (HESA) returns and are summarised in Table 2 (with HEIF 3 comparisons). Data sources are largely the same as for HEIF 3 (aside from the data used to drive the third component of HEIF 3

which are not now needed). Data on income for Knowledge Transfer Partnerships are not presently collected in HESA or HE-BCI surveys and are therefore being provided for purposes of calculating HEIF 4 by Momenta on behalf of the Technology Strategy Board (TSB)³.

26. We believe it is important to use the most recent data possible to drive the formula allocations, which will inform funding up to 2011. We will therefore use HESA and HE-BCI data for 2006-07. To enable us to calculate final HEIF 4 allocations and inform HEIs in good time, it is vitally important that HEIs have made robust data returns to the HE-BCI survey sent out to HEIs on 22 October 2007 (Circular Letter 29/2007) by the deadline set of 14 January 2008.

27. We stress that it may not be possible to provide a timely final HEIF 4 allocation for any HEI that did not return HE-BCI data by the deadline date. We reserve the right to audit returns made to the

HE-BCI survey that inform HEIF 4 allocations, and confirmation of final HEIF 4 allocations to HEIs may be delayed if extensive data follow-up on HE-BCI returns is needed. HEIs are allowed to estimate some HE-BCI data returns, from a sample, and it will speed and ease the process of any data follow-ups if HEIs ensure that they have documentation on how they made estimates to hand, which can be made available to HEFCE on request.

28. We have now developed an important time series of data on third stream HE performance through the HE-BCI survey. We are aiming to embed this valuable data series further by transferring management of the survey to HESA in 2009. It is important that robust and accurate data are returned every year to the HE-BCI survey, to inform policy, institutional management and funding decisions. We intend to take into consideration use of data from the HE-BCI survey from 2007-08 onwards in devising and calculating funding under future HEIF rounds.

Table 2 **HEIF 4 formula allocations: data sources**

Formula components	HEIF 3	HEIF 4
1: Capacity	HESA Staff numbers	HESA Staff numbers
2: Performance (income)	HE-BCI Contract research	HE-BCI Contract research
	HE-BCI Consultancy	HE-BCI Consultancy
	HE-BCI Equipment & facilities	HE-BCI Equipment & facilities
	HE-BCI Regeneration	HE-BCI Regeneration
	HE-BCI Intellectual property	HE-BCI Intellectual property
	HESA Non-credit bearing courses	HESA Non-credit bearing courses
	HESA Knowledge Transfer Partnerships (KTP)	KTP income being provided by Momenta for TSB

³ Momenta manages the Knowledge Transfer Partnerships (KTP) programme on behalf of the Government's Technology Strategy Board. www.ktponline.org.uk

Allocations and guidance on strategies

HEIF 4 allocations

29. To enable HEIs to plan ahead for use of their HEIF funds, we published some indicative modelling of HEIF 4 allocations on our web-site (under Business & community/HEIF 4). This modelling has been produced using HE-BCI and HESA 2005-06 data. This information will give HEIs some indication of the amount of funding they are likely to receive in HEIF 4. However, we stress that final allocations, calculated on 2006-07 data, may differ from the indicative allocations.

30. We expect to confirm final allocations for HEIF 4 in early March 2008, once the HE-BCI and HESA data for 2006-07 are available.

HEIF 4 strategies

31. HEIs are invited to submit a HEIF 4 strategy to HEFCE setting out the institution's overall approach to knowledge transfer and plans for the use of HEIF 4 funding. Acceptance of this strategy by HEFCE is necessary to enable the institution's formula funding allocation to be confirmed and released. These strategies are important to assure HEFCE, Government and stakeholders that:

- a. HEIs have a sound strategic approach to knowledge transfer, in line with their individual corporate strategies, core institutional missions, key partners and locations.
- b. Management of HEIs' knowledge transfer activities includes appropriate and robust systems for performance management and data collection (including those relating to making returns to the HE-BCI survey), planning, risk management and monitoring and evaluation.
- c. HEIs are committed to the continued improvement and further development of their capacity to deliver economic and social impact, including effective use of collaboration, so as to achieve value for money in use of public funds.

d. HEIF 4 funding will be spent in line with the overall objectives of the programme, to achieve maximum impact and to respond flexibly to changing priorities and opportunities for innovation.

32. Strategies should be submitted by e-mail using the template at Annex B. Guidance for completing the template is at Annex C.

33. Given the diversity of the HE sector, we recognise that there is no single model for a knowledge transfer strategy. We anticipate that strategies will differ significantly, depending on the institutional mission, academic subject mix and the economic and social context in which each individual HEI operates. Moreover, HEIF is a broad fund, intended to develop and support a wide range of different knowledge transfer activities with a range of partners which can lead to beneficial impact. Therefore, we would expect strategies to reflect the specific knowledge transfer priorities of individual HEIs, while taking account of important government priorities where applicable.

34. In September 2007, DIUS published an independent report for the Funders Forum entitled 'Streamlining university/business research collaboration negotiations'⁴. The report includes recommendations to HEIs aimed at improving the outcomes of negotiations between institutions and businesses, specifically in relation to research collaborations. The report sets out important issues for HEI senior managers to consider, including the need for HEIs to have overall aims for collaborative research, linked to their strategies for the third stream more generally; and policies and practices in place to guide and incentivise their staff to achieve these aims in developing and formalising collaborations.

35. HEIs that undertake negotiations of this kind may wish to take the report's recommendations into account in preparing their HEIF 4 strategy. HEFCE will also be writing to heads of institutions shortly to offer opportunities for HEI senior managers with responsibility for knowledge transfer to network with peers and relevant experts on the implications of the Funders Forum report and other management challenges emerging in the third stream agenda.

⁴ Available on the DIUS web-site at: www.dius.gov.uk/publications/streamlining.html

Assessment of HEIF 4 strategies

36. HEFCE will assess all HEIF 4 institutional strategies against the criteria listed in paragraph 31 above. The Council will be advised in its assessment of HEIF 4 strategies and their approval as a sound basis for release of funding by a group chaired by Peter Saraga (HEFCE Board member and former Managing Director, Philips Research Laboratories UK). The process of assessing strategies, giving feedback and confirming approvals will be conducted by HEFCE regional teams supported by expert consultants. Contact details for HEFCE regional teams are at Annex D.

37. We expect that institutions will be informed by our regional teams on a rolling basis that their strategy has been approved and their HEIF 4 allocation released for payment.

38. If, in HEFCE's judgement, a strategy does not adequately meet the criteria listed in paragraph 31, we will advise the institution what clarifications, improvements or adjustments are needed, and allow a reasonable time for resubmission. This process may include following up queries on the institution's HE-BCI return and the fit of the data with the overall picture painted in the strategy of the priorities and activities of the HEI (for example, on SME engagement). We expect that all HEIs will provide an acceptable strategy and that their allocation will be released. However, HEFCE reserves the right to confirm allocations only on an annual basis after receipt of a satisfactory progress report or even to withhold the allocated funds entirely, and eventually to return them to the main budget, if an institution ultimately fails to submit an acceptable strategy.

39. As a result of the assessment process, HEIs will receive:

- feedback on their own individual strategy
- an overview report of all strategies at the sector level, identifying the strengths of the sector and areas for further improvement, to be published by HEFCE

- some HEIs may also receive specific commendation for the excellence of their strategies.

40. We will seek to disseminate information and insights from the strategies that may have broader relevance across the HE sector, including their publication. As part of this, over the HEIF 4 period, we will seek ways to highlight and promote the innovations and new priorities in knowledge transfer being explored by HEIs (as well as those promoted by Government particularly in the context of the forthcoming science and innovation strategy). We will also seek ways to support the sector to address challenging areas in knowledge transfer and share lessons learnt. HEFCE has provided funding to the range of sector-led knowledge transfer professional bodies, including the Institute of Knowledge Transfer, UNICO, the Association for University Research and Industry Links (AURIL) and Praxis, for knowledge transfer improvement activities, and we will continue to develop these partnerships over the HEIF 4 period.

JISC support

41. In parallel with HEIF 4, from 2007-08, the Joint Information Systems Committee (JISC) is running a complementary business and community engagement (BCE) programme of work⁵, which is designed to:

- enhance institutions' efficiency, effectiveness and opportunities in knowledge transfer through improved and integrated systems, processes and technologies
- help institutions overcome the barriers to access to institutional knowledge assets for business and other organisations.

For the former, JISC-funded activities help make connections between strategies, processes and systems in institutions, linking BCE functions with other key internal functions such as information management and administration. For the latter, JISC supports institutions in opening up institutional assets and knowledge for wider benefit, whilst managing risks and securing controls.

⁵ Further information available on the JISC web-site www.jisc.ac.uk under What We Do/Strategic themes/Business and Community Engagement

Equality and diversity

42. 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. The HEFCE Equality Scheme (HEFCE 2007/01) sets out how we aim to do this.

43. In preparing their HEIF 4 strategies, we would like to encourage HEIs to consider the impact of their knowledge transfer activities on diversity and equality, both for HEI staff and students and individuals in the business and public and third sector organisations with whom HEIs engage. In addition, we would be interested to hear of any cases in which an HEI plans to use HEIF 4 funding for knowledge transfer activities which are specifically promoting equality and diversity. Please contact Alex Thompson of the HEFCE Business and Community policy team (a.thompson@hefce.ac.uk) if you would like to inform us of any such activities.

Monitoring

44. Institutions will be asked to report on the progress of their HEIF 4 strategy as part of their annual monitoring statement (AMS) to HEFCE. The AMS process is based on risk and exception reporting.

45. We recognise that HEIs will be constantly reviewing their approaches to knowledge transfer, which is still a relatively new area of activity in HE, and this may lead to changes in an individual HEI's plans for use of HEIF 4 funding. We anticipate that DIUS, as a new government department with an important economic mission, and HEFCE working with it, will have a number of new and innovative policies and priorities emerging over the HEIF 4 period, to which HEIs may wish to respond. Changes in planned spending may occur as a result, and we expect to maintain a dialogue with HEIs on this through our monitoring process. As part of this, we will be looking to share ideas on innovations and new priorities with the HE sector through networking, sharing case studies of progress of 'flagship' innovative projects and working with the knowledge transfer professional bodies.

Annex A

Summary of HEIF 3 method and of HEFCE communications to the HE sector on HEIF 4 method

HEIF round 3

1. The main aspects of HEIF 3 announced in 2005 were⁶:
 - a. Support for a broad range of knowledge transfer activities across all subjects, which result in economic and social benefit to the UK.
 - b. A formula allocation of around 75 per cent of funds to all eligible HEIs on the basis of an institutional plan. The formula was calculated in three components:
 - i. A first component (45 per cent) allocated with regard to capacity-building and potential based on FTE academic staff numbers.
 - ii. A second component (45 per cent) allocated with regard to performance, using various measures of income from business and public and third sector organisations as a proxy for the value placed on HEIs' activities by users of knowledge in the wider economy and society. We stated then our intention to increase this performance component of the formula in future.
 - iii. A third component (10 per cent) to recognise performance that was not reflected well in external income measures. This element was calculated on the basis of data on dedicated third stream staff, numbers of engagements with SMEs, sandwich student placements and numbers of engagements with non-commercial organisations. We stated then our intention to review the third component and that it might not be used in future funding.
 - c. A competition for around 25 per cent of funds allocated against proposals for innovative knowledge transfer projects.
 - d. Continuation funding for the 22 CKEs initiated under HEIF 2.

HEIF round 4

2. In October 2007, in responding to the Sainsbury Review and the Government's acceptance of its recommendation, HEFCE announced the main features of the method to be used to allocate funds in HEIF 4:
 - a. HEIF 4 allocations would be fully formulaic, continuing from past HEIF rounds to support a wide range of knowledge transfer activity leading to economic and social impact.
 - b. The HEIF 4 formula would give continuity with the formula devised in HEIF 3. However, more funding would be given to the component of the formula reflecting performance (using external income as a proxy). Rather than a separate third component of the formula, a double weighting would be given to SME income within the external income component. The residual funding would be allocated in relation to the component for potential and capacity-building, allocated according to academic staff numbers (in line with the method used in HEIF 3).
 - c. As for HEIF 3, the formula would include a cap (absolute cap) on the maximum income that could be allocated per HEI, as well as a floor for the minimum allocation that would be awarded. The absolute cap would be higher than the one set for HEIF 3 but the percentage increase in the cap would be lower than the percentage increase in the overall HEIF budget. In addition, for HEIF 4 there would be a limit on the increase that an HEI could achieve in its allocation compared with its previous HEIF award (a relative cap). Transition funding would mean that no HEI's HEIF 4 allocation would drop below 80 per cent of its HEIF 3 award. The absolute and relative caps would be set by the HEFCE Board to achieve the main aims of the Sainsbury Review – spreading funding to a wider range of HEIs whilst sustaining built capacity, optimally, within available funding.

⁶ 'Higher Education Innovation Fund round 3: Invitation and guidance for institutional plans and competitive bids', HEFCE 2005/46, published on the HEFCE web-site.

d. The formula calculation would be based on the same data sources as in HEIF 3 (except that the HE-BCI survey data used in the third component calculation would no longer be needed).

3. The final features of the method were determined by the HEFCE Board in November 2007 and announced to the sector through an electronic publication (EP 04/2007). The absolute cap was set as £1.9 million in 2010-11, the third year of HEIF 4 (with the absolute caps for 2008-09 and 2009-10 set on a linear progression from an HEI's 2007-08 HEIF 3 formula award to its 2010-11 HEIF 4 award). The relative cap was set at 150 per cent, so no HEI would receive more than a 150 per cent increase between its 2007-08 HEIF 3 formula allocation and its award in 2010-11 for HEIF 4.

Annex B

Template for HEIF 4 institutional strategies

Please download from the HEFCE web-site, complete and return via e-mail.

Name of institution
Contact person for correspondence who is also responsible for ensuring that the head of institution has approved this strategy for submission to HEFCE
Name
Position
Address
E-mail
Telephone
Has this strategy been approved for submission to HEFCE as the basis for release of HEIF 4 funding by the head of institution? Yes/No (delete as appropriate)

Section A: HEI knowledge transfer strategy

1. Summarise the key aspects of your overall knowledge transfer strategy over the next three years, including:
 - a) priority aims and intended outcomes
 - b) relationship to institutional mission (research and teaching etc)
 - c) main activities (contract research, enterprise education, continuing professional development etc)
 - d) target sectors (in business or public services or the third sector)
 - e) any geographical focus (international, national, regional, local)
 - f) any focus on particular kinds of target organisations (eg SMEs)
 - g) main funding sources.

Q1 Max 750 words

2. Describe the rationale and evidence base used to formulate these strategies including the extent to which:
 - a) the current strategy represents a continuation of, or a departure from, previous strategies
 - b) the strategy maintains existing capacity for knowledge transfer or seeks to develop new capacity (eg to engage with creative industries or service sectors)
 - c) it builds on legacies and lessons learnt from previous HEROBC and HEIF-funded activity.

Q2 Max 500 words

3. Describe your approach to collaboration and any key partners that have been involved in the development of strategy or will be involved in delivery. In particular, what will they contribute which adds to economic and social impacts or contributes to value for money?
 - a) international partners
 - b) national partners
 - c) regional partners
 - d) other HEIs.
4. Are these partnerships building upon previous alliances, or will new partnerships be established during the period?

Qs 3-4 Max 250 words

5. How does your HEI monitor and evaluate its progress in knowledge transfer, including assessing outputs, outcomes and economic and social impacts, and how does evaluation inform future strategy and activity?
6. Have key performance indicators for knowledge transfer been defined? If so, what are they?

Qs 5-6 Max 500 words

7. How do you seek to engage academic staff in knowledge transfer activities?

Q7 Max 400 words

8. What approaches are you taking to improve performance in knowledge transfer (eg through policies, improvements to processes or practices, specific staff developments or activities to draw on and share good practice)?

Q8 Max 400 words

Section B: Planned use of HEIF 4 funds

9. How do you plan to allocate HEIF 4 funds? Please fill in table A below, by category of expenditure. (See guidance notes for further explanation of information sought in Q9 and Q10.)

Q 9 Table A

Activity	HEIF 4 funds (£000s)		
	Year 1	Year 2	Year 3
Dedicated KT staff (salaries and other costs)			
Support for academic staff to engage in KT activities including buying out academic time to engage in KT			
Training/staff development for academics			
PR/marketing activities (including travel but excluding staff costs)			
Seed or proof of concept funds			
Other pump-priming expenditure (specify)			
Investment in spin-out companies			
Other (please add additional rows, and describe, if significant)			
Total (should sum to 100 per cent of HEI's HEIF 4 allocation)			

10. Are you able to associate any HEIF 4 funds with specific knowledge transfer activity outputs (eg ring fenced funds for capacity-building and support of enterprise education, schemes to embed industry or public professionals in HEI departments, continuing professional development or consultancy support)? If so, please describe (with indications of levels of funding). (See guidance notes for further explanation of information sought in Q9 and Q10.)

Q10 Max 250 words

11. Explain how these allocations will support the implementation of your strategy as described in Section A. Please also explain whether HEIF funds will make a distinctive contribution in comparison with other funding sources and if so, what and why?

Q11 Max 750 words

Section C: Additional information

12. What do you consider to be the key risks in implementing your knowledge transfer strategy and achieving plans for HEIF 4? Please describe their likelihood, potential importance and how they will be managed.

Q12 Max 500 words

13. Please briefly describe two of your 'flagship' innovative knowledge transfer projects that will be supported by HEIF 4 funding.

Q13 Max 250 words

14. Are there any additional comments you would like to make on any matter related to KT strategy and/or use of HEIF funds?

Q14 Max 250 words

Annex C

Guidance notes for completion of institutional strategies

General

1. Strategies should be completed on the template provided at Annex B. Please do not attach other documents or annexes. An electronic version of the template can be downloaded with this report from the HEFCE web-site at www.hefce.ac.uk under Publications. Complete strategies should be e-mailed to businessandcommunity@hefce.ac.uk by **12.00 noon on 14 April 2008**.

2. We intend to publish all institutional strategies once these have been approved for funding.

3. For each section of the template there is a maximum number of words permitted, based on the maximum amount of information we consider should be necessary to answer each question adequately. You are not required to use the full word limit for any section. In particular, HEIs where knowledge transfer activity is on a small scale, or that have received a relatively smaller HEIF 4 allocation may not need to use the full word limit.

4. The template is in three sections:

a. Section A seeks information on your overall knowledge transfer strategy and you should consider all activities whether supported by HEIF 4 funds or other sources. This helps us understand the context to your use of HEIF funding.

b. In section B we would like you to provide some specific information on the planned use of HEIF 4 funds and how these will contribute to your overall knowledge transfer strategy. We realise that expenditure plans may change during the HEIF 4 period, responding to new insights in the HEI and new HEFCE and DIUS policy priorities for innovation. We would ask institutions to discuss significant changes in their plans for using HEIF 4 funds during the three years of funding with us, as part of the HEFCE annual monitoring statement process.

c. Section C asks for additional information as follows:

i. You are asked to comment on risks and how you plan to manage them. You should consider risks relating to the overall strategy

and also those relating specifically to the expenditure of HEIF funds as appropriate, as well as challenges for the HE sector from third stream work more generally.

ii. We are also interested in identifying innovative uses of HEIF funds that are inspired from within the HEI and with its partners. If you consider this applies to your institution please signify it in this section. We are likely to wish to gather further information at some stage in the future so that we can provide interesting illustrations to stakeholders of how HEIF funds are being utilised; we may also use this information to facilitate networks of HEIs focussing on similar innovative projects as part of continuous improvement work in knowledge transfer.

5. The information you provide in section C will, in aggregate for the whole HE sector, help HEFCE and DIUS consider the additional support we can give to HEIs for continuous improvement.

6. In all cases your responses should consider engagement with all external organisations, including public sector bodies and third sector partners, and not be restricted to businesses.

Specific questions

Question 1

7. As mentioned above, this section should consider all knowledge transfer activities whether or not supported by HEIF funds. Some HEIs may consider knowledge transfer as a subset of, for example external relations, but we still require information on the key elements of the strategy as they relate to knowledge transfer. In summarising their knowledge transfer strategy, HEIs may wish to indicate how the knowledge transfer strategy links to other engagement by the HEI with business and community organisations, for example, in relation to employer engagement in teaching.

8. Information on target sectors (Q1, d) should not be restricted to business organisations.

9. We do not require a comprehensive list of funding sources (Q1, g), but we do wish to know

the relative importance of HEIF funding. In most cases, it will be sufficient to list the **main** sources, for example RDAs, regeneration funds (from the EU) and the HEI's own funds.

Question 2

10. We are interested in the underlying rationale and evidence base for strategies rather than the process by which strategies were developed. However, we recognise that information from, and interactions with, external agencies may be important in developing strategies.

Questions 3 and 4

11. We expect that collaborations will be an integral part of every HEI's strategy. This could include collaborations with businesses in large-scale strategic partnerships; collaborations with business support agencies; collaborations with other HEIs to expand markets and/or gain economies of scale. Collaborations may be new, but we will also be most interested to see effective collaborations sustained from past HEIF funding rounds. It is important though that collaborations amount to more than the sum of the parts and that they are managed effectively.

Questions 5 and 6

12. We want to be able to assess whether HEIs are improving their capacities to transfer knowledge and we consider monitoring processes and outcomes and target setting an important element of this. We recognise that key performance indicators (KPIs) can be set at the whole institution level, or for dedicated knowledge transfer staff, or both, and you should report as appropriate.

Question 7

13. Information provided for Q7 could include: incentive schemes; promotion criteria; workload planning schemes or awareness raising programmes.

Question 8

14. Please explain how the information gained through monitoring or otherwise will be translated into improved performance. This might include, for

example, staff development programmes (for academics or knowledge transfer staff), changes in management structures or policies and procedures.

15. HEFCE has provided funds to support a number of continuous improvement activities that can help organisational and individual (KT professional) knowledge transfer performance development:

- a. Development of training and continuous professional development for knowledge transfer practitioners through our grants to support the AURIL continuing professional development (CPD) programme (www.auril-cpd.org) and Praxis knowledge transfer training (www.praxiscourses.org.uk).
- b. Development of standards for knowledge transfer professionals working in HE, business and the community, and the accreditation of training, through support to the newly formed Institute for Knowledge Transfer (IKT, at www.ikt.org.uk).
- c. Development of metrics and approaches to benchmarking against international performers through our support for a project in which UNICO is working with US and Canadian counterparts (www.unico.org.uk).

16. We would be interested in information about participation in AURIL or Praxis training, membership of IKT or participation in benchmarking activity such as that developed by UNICO. Such information would indicate to us that the HEI has a serious and informed approach to continuous improvement.

Questions 9 and 10

17. We would like to be able to present an aggregate picture for the HE sector of how you intend to use HEIF 4 funds at the outset (noting that you may vary spending flexibly over the years of HEIF 4). We recognise that use of funds varies considerably according to institutional factors (like scale of the HEI, other sources of knowledge transfer funding), and also that HEIF 4 supports a great diversity of activities. To help us get the best

picture for the whole HE sector, we ask you to break down your spending in two ways, as follows:

- a. In Q9 we would like information on how you plan to use HEIF 4 funds and Table A prompts you to break down funds by some broad categories of expenditure. We understand that some HEIs may not have planned expenditure in all categories provided, and you are invited to include other categories if they are significant for your institution. Totals in Table A should sum to the full HEIF 4 allocation for your HEI in each year.
- b. In Q10 we ask you to break down HEIF 4 by major outputs or activity areas that you can identify (for example, enterprise education schemes or third sector engagement support). We realise that this may not be possible in many cases, as, for example, knowledge transfer staff funded by HEIF may work across a range of activities. If, however, you are able to make such an association between a significant amount of expenditure and a certain kind of knowledge transfer activity then please provide information here. Figures provided for Q10 do not need to add up to the total HEIF 4 allocation of the HEI but may include only a subset which can be attributed to a major activity programme area.

Question 11

18. We want to know the role HEIF funding plays in implementation of the strategy described in section A. You should explain the importance of specific use of HEIF funds (for example, support of knowledge transfer staff) in implementation but also whether the nature of the HEIF funds (eg relatively predictable or discretionary use) is important.

Question 12

19. You should consider risks relating to the overall strategy and also the specific implementation of HEIF plans. It may also be helpful to distinguish between 'external' risks such those related to user demand and 'internal' risks such as staff engagement. Comments on broader challenges facing the HE sector in general in third stream working would also be welcome here, to help us inform our future policies.

Question 13

20. We are interested in innovative approaches to knowledge transfer, not the transfer of innovative ideas per se. We do not wish to be at all prescriptive as to possible responses but want to understand the flagship projects and innovations that individual HEIs themselves are developing. We will make no attempt to assess the relative merits of different HEIs' flagship projects.

Annex D

HEFCE regional consultants

Regional team	Consultant	Telephone	E-mail
East	Christopher Millward	0117 931 7448	c.millward@hefce.ac.uk
East Midlands	Tansi Harper	0117 931 7313	t.harper@hefce.ac.uk
London	Derek Hicks	0117 931 7460	d.hicks@hefce.ac.uk
North East	Nicola Oates	0117 931 7308	n.oates@hefce.ac.uk
North West	Roger Lewis	0117 931 7027	r.lewis@hefce.ac.uk
South East	David Noyce	0117 931 7349	d.noyce@hefce.ac.uk
South West	David Noyce	0117 931 7349	d.noyce@hefce.ac.uk
West Midlands	Yvonne Perry	0117 931 7343	y.perry@hefce.ac.uk
Yorkshire and the Humber	Roger Lewis	0117 931 7027	r.lewis@hefce.ac.uk



**Higher Education Funding Council for England
Northavon House
Coldharbour Lane
BRISTOL
BS16 1QD**

**tel 0117 931 7317
fax 0117 931 7203
www.hefce.ac.uk**