



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

# Knowledge Exchange and Innovation Fund: Further Information



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# Knowledge Exchange and Innovation Fund

## Introduction

1. Following the announcement of indicative university funding allocations for AY 2024-25, this document sets out arrangements for the first iteration of the university Knowledge Exchange and Innovation Fund (KEIF) that will begin from 1 August 2024.
2. [Indicative KEIF allocations for AY 2024-25](#) are available on the SFC website. Final allocations will be published in May 2024.
3. The [Frequently Asked Questions](#) page (Annex B) provides answers to common and more detailed questions.

## The Knowledge Exchange and Innovation Fund (KEIF)

4. Following the recommendation set out in SFC's 2021 Review of Coherent Provision and Sustainability, we have created the KEIF. Shaped by extensive engagement with the sector and the Scottish Government, the KEIF is SFC's primary mechanism for supporting university KE&I activities. It is an evolution of our previous core funding provided via the University Innovation Fund (UIF).
5. KEIF is designed to drive forward university contributions to national policy priorities and better recognise institutions' individual and collaborative strengths, incentivising universities to design and adopt innovative new approaches to KE&I. Our approach seeks to recognise the diversity of institutions and the value of the KE&I they deliver, and embed equality, diversity and inclusion in KE&I activities.
6. Aligned with SFC's developing approach to assurance and outcomes, further conditions will apply to the receipt of KEIF. These are that institutions will:
  - Match fund the platform grant element (cash or in kind).
  - Sign up to the Knowledge Exchange Concordat (KEC) principles.
  - Complete an equalities impact assessment and embed EDI throughout activities.
  - Commit to data collection requirements (SFC KE Metrics Return and HESA HE-BCI Return).
  - Submit five-year KE&I strategies to SFC in early 2025.
  - Submit an annual progress report from Autumn 2025 (tbc), including two case studies.

## KEIF model

7. KEIF comprises three elements: the Platform Grant, the Outcome Grant and a Strategy element.

**Diagram 1: Overview of KEIF model**



### Platform Grant

Capacity allocation  
Supports growth, good practice and provides stability  
SFC assurance requirements



### Outcome Grant

Formula driven  
Drives delivery against national priorities (Scotland's National Strategy for Economic Transformation, Innovation Strategy, Entrepreneurial Campus Blueprint)  
Incentivises and rewards  
Recognises diversity and capacity for KE&I  
Responsive to success/change



### KEIF strategies

Institutional (5 year) strategies, includes broader approach to KE (non-income).  
Flexible  
National priorities/themes  
Institutional strengths and performance measures/forecasts  
Annual report -gathering 'evidence' of impact and celebrating success (non-financial).

## Platform Grant

8. A Platform Grant of £250k per university per year will be allocated. This represents a baseline contribution towards maintaining each university's KE&I activities. This funding will contribute towards the costs of KE&I staffing, staff development, the development and embedding of KE policies and procedures and the maintenance of core activities.
9. Providing capacity for KE&I, the Platform Grant will support growth and good practice, enable collaboration and ensure stability across the sector.
10. Institutions will be expected to provide match funding (cash or in kind).

## Outcome Grant (formulaic allocation)

11. The second element of the KEIF, the Outcome Grant, will be allocated by formula to incentivise and reward activity aligned with national priorities, including the National Strategy for Economic Transformation, the Innovation Strategy and Entrepreneurial Campus Blueprint.
12. The KEIF formula funding method will use three years of data submitted via the SFC KE metric return and the Higher Education Business and Community Interaction survey (2020-21 to 2022-23) with the years weighted 2-3-5. Designed to incentivise and reward performance against Scottish Government policy priorities, this element of the funding allocation will be calculated annually.
13. Detailed information on the distribution model and metrics used to allocate KEIF is provided at [Annex A](#).
14. All data used to inform the KEIF funding method is subject to audit.
15. We intend to work with the sector to develop national metrics that move beyond financial measures and reflect the full value and impact of university KE&I activity, delivered at an individual and collaborative level. The third element of KEIF, institutional strategies, will play a key role in supporting the development of suitable measures whilst also enabling institutions to demonstrate a diversity of contribution to national priorities.

## KEIF strategies

16. The third element of the KEIF is the Strategy element. Institutions must submit a five-year strategy demonstrating key areas of strategic focus and the contribution of KEIF towards core Scottish Government priorities. Strategies will be expected to include institutional performance indicators and support the development of new measures (beyond financial) that recognise the breadth of KE activity and its impact across the sector. Working in partnership with the sector, our aim is to identify and test new metrics that can be used to inform the formula grant allocation in future years.
17. Detailed guidance on KEIF strategies will be published in June 2024.
18. The first KEIF strategies will be developed over AY 2024-25 and submitted in early 2025. The strategies are expected to be agreed at Board/Court level.
19. SFC is currently planning for the strategies to be reviewed by an expert panel ahead of AY 2025-26 allocation.
20. Institutions will be asked to submit an annual report describing institutional performance against its strategy over the previous academic year and proposed priorities for the coming year.

21. To understand fully the impacts of institutions' knowledge exchange activity, and the contribution of KEIF towards these, the annual report should include case studies describing specific KE&I activity and its impact. These will be used by SFC to demonstrate the impact of KEIF and better communicate the achievements of institutions.

## KEIF timetable

Action	Date
KEIF proposals to SFC RKEC for consideration	31 January 2024
KEIF recommendations to SFC Board for approval	15 March 2024
Indicative AY 2024-25 allocations published	18 April 2024
KEIF announcement- overview of new model and funding methodology including FAQs	18 April 2024
Final AY 2024-25 allocations published	May 2024 (date tbc)
KEIF Strategy Guidance published	June 2024
KEIF begins AY 2024-25 (first iteration)	1 August 2024
Working Group convenes to begin to consider KE indicators.	September 2024 (tbc)
Submit short self-evaluation on UIF AY 2023-24	Autumn 2024 (tbc)
KEIF strategies (5-year) to be developed over 2024 and submitted in early 2025.	Early 2025
Review of KEIF strategies	Spring 2025
KEIF year 2 begins	1 August 2025
Short progress report on Year 1. Including case studies. Detailed reports against strategies will be required the following year (tbc).	Autumn 2025 (tbc)

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## Annex A

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### Methodology for allocating KEIF

1. A Platform Grant element of £250K per university per year will be allocated.
2. Remaining KEIF will be allocated through the formula driven Outcome Grant. The Grant consists of four measures which align with Scottish Government priorities and are driven by up to date SFC KE income return and HE-BCI data. Three years of data is used to allocate based on a 2:3:5 ratio.
3. In recognition of the diversity of institutions and capacity for KE&I, normalising measures will be used to reward achievement regardless of institutional size.
4. Details of the new formulae are provided on the next page.

Table 1: Outcome Grant distribution and metrics

Measure	Percentage of Outcome Grant	Description	Data source
1. Total KE income return	60%	<p>Total KE income consists of the following income categories:</p> <ul style="list-style-type: none"> <li>- Outreach</li> <li>- Enterprise schemes</li> <li>- Consultancy</li> <li>- CPD</li> <li>- Research</li> <li>- Licensing</li> <li>- Translation</li> <li>- Venturing</li> </ul> <p>Weights are applied to each KE activity to reflect KEIF priorities. Where applicable, an SME weighting is also applied. See Table 2 below.</p>	SFC KE Metrics Return
2. Total KE income return per academic staff member (FTE)	25%	Total KE income (unweighted metrics) is divided by staff FTE.	SFC KE Metrics Return HESA Staff Return

Measure	Percentage of Outcome Grant	Description	Data source
3. Graduate start-ups that are still active and have survived at least three years per student FTE	10%	Allocated based on number of graduate start-ups that have survived at least three years divided by student FTE.	HESA HE-BCI Return HESA Student Return
4. Total number of spin-outs that are still active and have survived at least three years per total research income	5%	Allocated based on number of spin-outs (institution and non-institution owned) that have survived at least three years divided by research income.	HESA HE-BCI Return HESA Finance Return

**Table 2: KE income categories and weightings (Measure 1)**

Activity	Weighting	SME weighting
Outreach	5	n/a
Enterprise schemes	4.5	n/a
Consultancy	3	6
CPD	2	4
Research	2.75	5.5
Licensing	1.5	3
Translation	1.5	n/a
Venturing	1.5	n/a

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## Annex B: Frequently Asked Questions (FAQs)

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### Aim and purpose

#### What will the KEIF do?

KEIF will drive forward university contributions to national policy priorities and better recognise institutions' individual and collaborative strengths, incentivising universities to design and adopt innovative new approaches to KE&I.

#### What activities will KEIF support?

KE&I covers a wider range of activities undertaken by universities alongside partners (e.g. businesses or community groups). These activities benefit the economy and society and could include:

- Collaborative/contract Research.
- Consultancy services.
- Knowledge Transfer Partnerships (KTPs).
- Training/CPD.
- Commercialisation of research through start-ups, spin-outs and licensing.
- Public engagement.
- Policy development.

#### What is changing from UIF?

The UIF model, and crucially the data that drives it, is outdated. Allocations are informed by historic data and there have also been significant new policy drivers (Innovation Strategy and Entrepreneurial Campus Blueprint) which further support the need to change the current model.

In developing KEIF, we have looked carefully at the existing measures collected through the SFC KE Metrics Return, refining and sharpening the incentives towards activities highlighted in the Innovation Strategy. We have supplemented this with metrics from the UK-wide dataset the HE-BCI Return to incentivise effort around start-ups and spin-outs and allow UK-wide comparisons.

**Will the KEIF be developed further?**

Yes. This is the first iteration of the new model. It sets the direction of travel for the KEIF. Further development work and long-term changes will be required (including the definition and collection of new data) which can only be delivered over several years. We will work in partnership with the sector to continue to develop the model beyond AY 2024-25.

**How will KEIF help advance Equality, Diversity and Inclusion?**

We will expect KEIF strategies to reflect institutional commitments and ambitions at an individual and collaborative level, outlining targeted activities that address underrepresentation, drive inclusive KE&I and support the development of national EDI measures to evidence progress. An equalities impact assessment of institutions' KE&I activities will also be required as a condition of KEIF.

**How will the Knowledge Exchange Concordat be part of KEIF?**

We recognise there is a role for the Knowledge Exchange Concordat (KEC) in KEIF. Institutions will be asked to sign up to the KEC principles as a first step as a condition of KEIF with details to be confirmed as PraxisAuril develop next steps.

**Transition from UIF to KEIF****Have any mitigations been put in place for the first year of KEIF?**

Yes. Funding has been allocated to mitigate against institutions receiving less than their UIF funding for AY 2022-23, recognising there was a one-off uplift of £5.5m in AY 2023-24.

**Will requirements be different for the first year of KEIF?**

Yes. We expect institutions to focus on developing five-year KE&I strategies over AY 2024-25. Therefore, a short progress report should be submitted in Autumn 2025 (tbc), including case studies.

**Do you intend to work with the sector to support the transition from UIF to KEIF?**

Yes. We will continue to engage with the sector through Universities Scotland's Research and Commercialisation Directors' Group to support the transition from the UIF to KEIF.

**Will collaborative activities continue to be supported?**

Yes. We expect collaborative activities to be delivered under the direction and prioritisation of Universities Scotland's Research and Commercialisation Directors' Group and the KEIF Collaboration Manager (previously known as UIF Collaboration Manager).

## Platform Grant

### **Does the Platform Grant need to be match funded and does this include in-kind?**

Yes. All institutions should match fund the Platform Grant element. This can be cash or in-kind.

### **Do you intend to vary the Platform Grant value?**

No. We do not plan to vary the Platform Grant value.

## Outcome Grant

### **How is the Outcome Grant calculated?**

The Outcome Grant is formula driven. It is informed by up to date KE Metrics and HE-BCI data.

### **Will KEIF be calculated and allocated annually?**

Yes. The KEIF funding model will be re-run annually based on the latest data. Allocations will be announced by SFC in university indicative and final allocations.

### **Have the weightings previously applied to the KE activity areas that informed the former Knowledge Transfer Grant changed?**

The weightings of the KE income activity areas (previously used to inform the Knowledge Transfer Grant) have been adjusted to better reflect KEIF priorities. The weights applied to Enterprise Schemes, Research and Venturing have increased. The weights applied to Consultancy and CPD have decreased. All other categories and double SME weighting previously applied are unchanged.

### **What are normalising measures and what is the purpose of these?**

The funding method includes normalising measures to reward achievement regardless of institutional size. These measures comprise: total research income, academic staff and student population data.

### **Why not allocate using a three-year average?**

We will use three years of data to allocate based on a 2:3:5 ratio to better recognise and incentivise improvement.

**Will current metrics be changed?**

Working in partnership with the sector, our aim is to identify and test new metrics that can be used to inform the formula grant allocation in future years.

**Will the SFC KE Metric Return and the HESA HE-BCI Return continue?**

Yes. Institutions should continue to return SFC KE metrics and HESA HE-BCI data annually.

**How will the HE-BCI review be used?**

We will work with the sector to consider the findings of the HE-BCI review and any changes resulting from it.

## KEIF strategies and reporting

**When will strategy guidance be available and when do they need to be submitted?**

Strategy guidance will be published in June 2024. KEIF five-year strategies for AY 2025-26 to AY 2029-30 must be submitted in early 2025.

**How does this align with SFC's developing assurance and outcomes approach?**

The submission of KE&I five-year strategies and annual progress reports (including case studies) will align with the timetable and requirements set for SFC's assurance and outcomes approach. Annual reports will describe institutional performance against their strategies over the previous academic year and indicate the priorities for the coming year.

**Why are you asking for case studies?**

We want to understand fully the impacts of institutions' knowledge exchange activity, and the contribution of KEIF towards these. Case studies will be used to demonstrate the impact of KEIF and better communicate the achievements of our institutions, particularly the impact of KE&I activity where no data sources currently exist.

**What reporting is required for AY 2023-24?**

A short self-evaluation of AY 2023-24 is required and submission dates will be confirmed in line with further SFC guidance on the Outcome Agreement process and our new approach to accountability and outcomes. This recognises that institutions have submitted case studies on UIF in March 24 and that focus will be on developing five-year strategies.