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# Analysis of institutional plans for round 3 of the Higher Education Innovation Fund

**Report to HEFCE by SQW Ltd**

Robin Brighton  
SQW Ltd  
Tel 01223 209400  
E-mail [rbrighton@sqw.co.uk](mailto:rbrighton@sqw.co.uk)  
[www.sqw.co.uk](http://www.sqw.co.uk)



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## Executive summary

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The Higher Education Innovation Fund (HEIF) supports higher education institutions (HEIs) to engage in knowledge transfer with business, public sector and community partners, for direct or indirect economic benefit. It is a partnership between HEFCE and the Department for Innovation, Universities and Skills (DIUS).

In 2005, HEIs were invited to apply for funds under the third round of HEIF. In previous rounds, funding had been awarded following competitive bids. In HEIF 3, three-quarters of the funding (£164.5m) was allocated by formula. All HEFCE-funded HEIs received an allocation on condition that they submit a plan setting out how they would use the funding to support knowledge transfer activities.

This report analyses institutional plans for HEIF 3 formula funding. The analysis had two main purposes:

- to inform Government, and other stakeholders, how HEIs planned to use their HEIF 3 funds and the potential outputs
- to make recommendations on the format of institutional plans for future funding rounds.

The current plans were designed for monitoring purposes rather than to provide information on activities and projected outputs, and they are of limited value in respect of the latter. Key points to emerge from the analysis of 133 plans include:

- 19 plans mentioned significant changes to the institutional management of knowledge transfer
- it is often difficult to identify the planned use of these resources and intended outputs, but in 54 cases some expansion of knowledge transfer activities is planned. These 54 cases account for 44% of HEIF 3 formula funding. In 40 cases we were also able to identify significant planned change in the scope (type of activity, target sectors etc) of knowledge transfer activities
- 57 HEIs intended to provide some kind of development/training for mainstream academic staff. These HEIs accounted for 40% of HEIF 3 funds
- 43 HEIs provided information on the amount of HEIF 3 funds which they plan to devote to staff costs. The average was 52% of their allocated HEIF 3 funds
- almost 90% of plans include collaboration with one or more HEIs
- the region, and sub-region, are the main geographical priorities

- 76 HEIs specifically mentioned working with small and medium-sized enterprises as a significant component of their plans. These HEIs accounted for 55% of the HEIF 3 allocations.

Our recommendations for future plans have informed the work undertaken by HEFCE and DIUS to develop the method and process for the allocation of funding under HEIF 4.

# 1: Introduction

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- 1.1 The Higher Education Innovation Fund (HEIF) supports higher education institutions (HEIs) to engage in knowledge transfer with business, public sector and community partners, for direct or indirect economic benefit. It is a partnership between HEFCE and the Department for Innovation, Universities and Skills (DIUS).
- 1.2 In 2005, HEIs were invited to apply for funds under the third round of HEIF, for the period 2006-08 (see HEFCE 2005/46).
- 1.3 Previously, HEIF funding had been awarded to specific projects following competitive bids. In HEIF 3, three-quarters of the funding was allocated by formula, based on data from the Higher Education Statistics Agency and the HE-business and community interaction survey. All HEFCE-funded HEIs received an allocation on condition that they submit a plan setting out how they would use the funding to support knowledge transfer activities.
- 1.4 This report analyses institutional plans for HEIF 3 formula funding. The analysis had two main purposes:
  - to inform Government, and other stakeholders, how HEIs planned to use their HEIF 3 funds and the potential outputs
  - to make recommendations on the format of institutional plans for future funding rounds.
- 1.5 The study was commissioned in January 2007. All 133 plans were reviewed by the SQW study team, and key information on activities and intended outputs were entered onto a database. The analysis in chapter 2 is based on this data. In addition, recommendations were made to HEFCE on the format of institutional plans for future funding rounds. These recommendations are being taken forward by HEFCE in preparing for the fourth round of HEIF.
- 1.6 It is worth emphasising that the current institutional plans were designed as part of the process for monitoring the use of HEIF funds. This is a light-touch process whereby HEIs provide a broad indication of intentions and are required to notify HEFCE of significant deviations from them, which may then trigger a dialogue between the Council and the institution. The plans were restricted to 1,500 words. The current study has sought to gather information from the plans on activities and projected outputs on a sector-wide basis. As discussed further below, we found the plans to be of limited utility in this respect but, given that they were designed for a different purpose, this should not be taken as an implied criticism of either the individual HEIs or the monitoring process.
- 1.7 There are major differences between individual plans but also some generic issues (many of which are interrelated) which restrict their value as indicators of planned activities and outputs. These include:

- 1.7.1. The links between HEIF 3 funding and activities are usually not stated. More specifically there is a lack of clarity as to what is being supported by HEIF 3 funds and what by other sources, including the HEIs' own funds. In many cases, the plans do not distinguish between activities planned with HEIF 3 funds and those initiated under previous funding rounds.
- 1.7.2. The plans do not provide sufficient baseline data on knowledge transfer (KT) activities before HEIF 3, and in many cases it is difficult to tell whether activity is actually increasing or decreasing.
- 1.7.3. There are general statements about, for example, working with small and medium-sized enterprises (SMEs) or providing enterprise education, but it is often impossible to assess the relative effort going into each. That is to say, expenditure is not associated with activities. As a result we cannot identify aggregate activity levels in even the broadest sense.
- 1.7.4. Very limited information is provided on collaboration with other HEIs. Typically this goes no further than stating it will happen (or more often will continue), without an explanation of the rationale, perceived benefits and anticipated activities.
- 1.7.5. The plans are silent on some of the key questions which HEFCE (and DIUS) are interested in. Many plans do not provide a breakdown of staff and other costs. Even when this has been provided, it is seldom possible to identify the use of non-staff expenditure or indeed the function of staff in some cases. Similarly, the plans do not explain the rationale for intended activities, apart from general statements such as conformity with the Regional Economic Strategy or references to institutional mission statements and strategies. It has not, therefore, been possible to address questions such as whether institutions are learning from and building on their previous experiences.
- 1.7.6. The plans are especially deficient in relation to planned outputs (although we recognise the difficulties HEIs face in making such projections and their possible reluctance to do so). The simple lack of information and inconsistency between HEIs means that we do not believe that reporting the numbers would be meaningful. The specific issues are:
  - many do not provide any quantification
  - even when this is provided it is not always usable, for example "a 10% increase" without specifying the starting point
  - there is a lack of consistency between HEIs, for example some provide the number of contracts/businesses assisted, others give the value of contracts.
- 1.7.7. Finally, we are, of course, only able to record actions when they are explicitly mentioned and some, perhaps many, HEIs may be planning other activities which they have not referred to either because they are relatively small or an implicit component of a strategic thrust. The 1,500 word limit on the current plans may be a factor in this respect.

## 2: Analysis

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### Overview

- 2.1 The plans in total reflect an allocation of almost £164.5m. This is broadly equivalent to HEIF 2 funds which totalled £186m and included £16m for Centres for Knowledge Exchange<sup>1</sup>. However, the switch to formula funding, and the minimum (£200,000) and maximum (£3m) limits on grants to each HEI, led to increases and decreases in HEIF funding for individual institutions. Eighty-five institutions received less through the formula<sup>2</sup> than under HEIF 2, and in 46 cases the reduction was 25% – which HEFCE had established as the maximum reduction. Increases in funding ranged from the marginal to a seven-fold expansion, and four (small) HEIs received HEIF funding for the first time.
- 2.2 Only 19 plans mentioned significant changes to the institutional management of KT activities. These typically involved changes in reporting to senior management and, in a few cases, the establishment of new boards and committees. These cases accounted for less than 10% of HEIF 3 funds. The relatively low number does not, of course, imply a reluctance to modify structures; many plans stated that existing management arrangements were considered to be working well and capable of sustaining future developments.
- 2.3 Twenty-six plans indicated that their future intentions were based on some kind of review of previous KT activities. In a small number of cases there had been a formal evaluation, but it was more common for plans to refer to lessons learned and previous experience. These accounted for 25% of HEIF 3 funds.
- 2.4 Most plans (109) provided some information on how HEIF 3 expenditure would be monitored and strategy implementation reviewed. These accounted for 85% of funds. Most of the detail given refers to regular reporting of progress on individual activities rather than strategic review. However, in almost all cases KT is ultimately the responsibility of a member of the senior management team (typically a Pro Vice Chancellor or equivalent). This individual will receive monitoring information on a regular basis, and most plans imply that strategy will be reviewed even if this is not always explicitly stated.
- 2.5 Thirty-three plans made a fairly clear distinction between whether extra support for KT activities would be provided primarily on a central or a departmental basis. These account for 20% of total funds. As Table 2-1 shows, central support appears to be favoured by most HEIs that specified changes.

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<sup>1</sup> The total HEIF 3 allocation, including the competitive element and continuation funding for Centres for Knowledge Exchange, was £238m.

<sup>2</sup> This figure is based on the actual funding each partner in HEIF 2 collaborative projects obtained. No allowance has been made for HEIF 3 competitive funds.

Table 2-1: Primary location of additional support for KT activities

	Number of plans	HEIF 3 funding (£000s)
Central only	18	17,978
Faculty/Department only	11	10,195
Both	4	5,476
All that specified	33	33,650

2.6 For the reasons given in the previous chapter, it is often difficult to identify the planned use of these resources and intended outputs, but in 54 cases some expansion of KT activities is planned. These 54 cases account for 44% of HEIF funding. Interestingly, in 34 of these cases HEIF 3 funding was less than that received under HEIF 2.

2.7 In 40 cases we were also able to identify significant planned change in the scope of KT activities. These we have classified as:

- new services; for example an intention to offer continuing professional development (CPD) for the first time, or more accurately to significantly expand provision
- new clients; different sectors and/or type, for example moving into the voluntary sector or a greater emphasis on SMEs
- broadening KT activity within the HEI; generally the intention to extend KT to departments/subject areas which have not been active so far
- developing expertise; three HEIs stated that they intended to become leaders in certain types of KT.

Table 2-2: Changes in scope of KT activities

	HEIF 3 allocation (£000s)	Number of HEIs
New KT services	27,361	13
New clients	13,725	15
Broadening KT activity within the HEI	12,020	9
Developing expertise	5,385	3

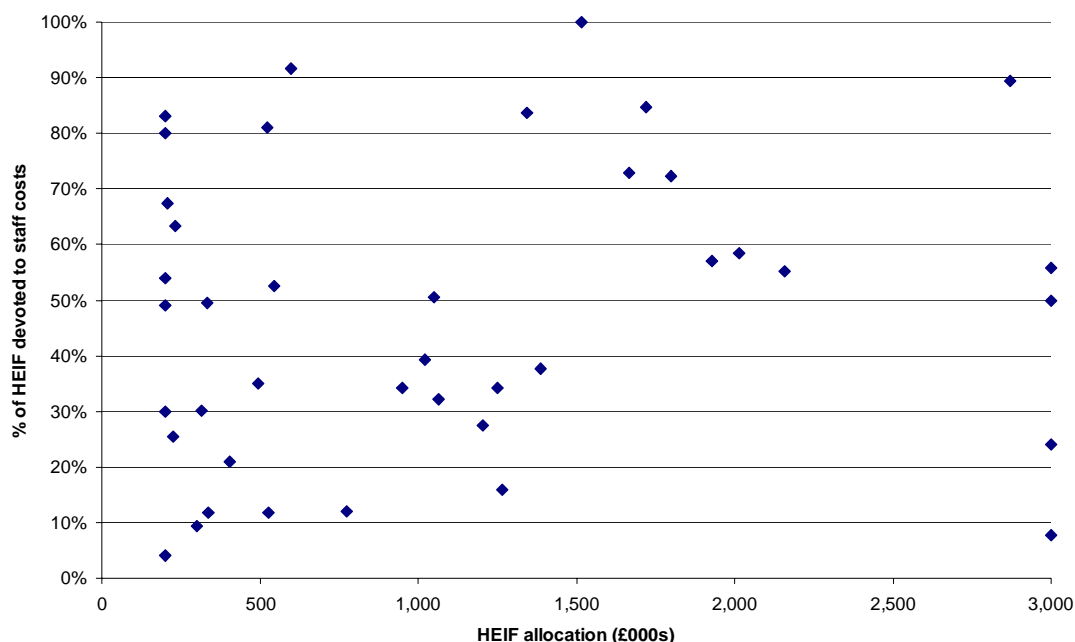
2.8 Information on the planned use of resources is provided below, but 57 HEIs intended to provide some kind of development/training for mainstream academic staff. These HEIs accounted for 40% of HEIF 3 funds.

## Staff costs

2.9 Forty-three HEIs provided information on the amount of HEIF funds which they planned to devote to staff costs. This represents 32% of all HEIs, and their HEIF 3 funds were 33% of the total (formulaic) allocation. They are, therefore, representative in terms of size. These 43 HEIs allocated, on average, 52% of their HEIF funds to staff costs. Figure 2-1 plots staff

costs against HEIF allocations. We might expect HEIs with smaller HEIF allocations to devote larger proportions to staff costs since there may be a minimum critical mass in the provision of knowledge transfer support services. However, Figure 2-1 suggests there is no such relationship, at least for those HEIs which reported staff costs.

Figure 2-1: HEIF allocations and staff costs



2.10 In 46 cases there are explicit statements which indicate that costs are being incurred for new staff in the HEIs. That is to say HEIF funds are generating an increase in capacity rather than simply funding existing capacity. These HEIs account for 35% of HEIF 3 funds. We cannot, however, identify how much has been allocated to additional staff since this information has been provided by virtually no HEIs and very few have provided any details on staffing levels before HEIF 3. Equally, even where there is no explicit statement that staff numbers will be increased, we cannot always be confident that there has been no expansion in practice.

2.11 In the case of 34 plans it is possible to associate positions or functions with staff expenditure. There is considerable diversity in terms of seniority and numbers, but the vast majority appear to be KT specialists with an HEI-wide remit rather than buying out the time of academic staff so that they can devote more time to KT within their department or faculty<sup>3</sup>. The main responsibilities of HEIF-supported staff are:

- business development managers, which are by far the most important numerically. In a small number of cases they have a specific sectoral responsibility, for example design in one case, but most appear to have a more general remit
- two plans specifically mention that one function will be to increase Knowledge Transfer Partnerships (KTPs), and many other plans state that KTPs will be expanded but do not associate new staff with this.

<sup>3</sup> There are some notable exceptions.

## Collaboration

- 2.12 Almost 90% of the plans (111) include collaboration with one or more HEIs. These plans account for just over 90% of HEIF 3 funds. Information on the nature of collaboration is shown in Table 2-3<sup>4</sup>. The categories are not mutually exclusive; thus, for example, an institution might be planning to collaborate with other HEIs both inside and outside the region.

Table 2-3: Collaboration

	Within region	Outside region	Knowledge exchange	Other KT funding	New	Existing	All
HEIF allocation to plans where collaboration specified (£000s)	124,234	18,421	36,366	60,567	600	98,484	148,653
Number of HEIs	91	12	27	30	3	61	111
% of all HEIF 3 funds	76%	11%	22%	37%	0.4%	60%	90%

- 2.13 A number of points regarding collaboration emerge:

- collaboration with HEIs in the same region is pronounced; over three-quarters of HEIF 3 allocations were supporting plans which had this as one component
- relatively few (11% of total funds) were planning to collaborate outside the region, either in addition to or instead of intra-regional collaboration
- a significant proportion of collaborations are continuations of initiatives started with previous HEIF funding or other knowledge transfer programmes funded from the government science budget. Twenty-two per cent of funds allocated were to plans which envisaged working with a Centre for Knowledge Exchange and 37% for other kinds of initiatives. The latter included HEIF 2 funded collaborative projects but also activities begun under the Science Enterprise Challenge scheme
- in part a reflection of this, at least 60% of funding was for HEIs which intended to continue with existing collaborations. We say at least because several plans either did not explicitly state whether or not it was a continuing collaboration or gave insufficient information for us to check against previous knowledge transfer funding rounds. Less than 1% of funding was for new collaborations, and in some of these cases the plans amounted to little more than an intention to explore options.

- 2.14 The plans provide comparatively little information on the perceived benefits (or costs) of collaboration. Some of the small and specialist institutions make explicit statements about accessing complementary skills, for example collaboration between design and engineering academics, or the resources and experience of larger KT support organisations, but these tend to be the exceptions. Most collaborations are explained as either:

- continuations of previously successful relationships, or

<sup>4</sup> Note that in the case of 14 plans, although collaboration was specified, there was no information on the nature of partners or the collaborative venture.

- arising from the need for HEIs to respond to regional opportunities and challenges as a group.

## Geographical scope

2.15 The discussion of collaborative arrangements highlighted the importance of regional considerations, but some plans also provide information on the geographical focus of activities. In 48 cases we were able to classify the geographical focus as one or more of the following<sup>5</sup>:

- sub-regional. We have defined this as anything smaller than the English Government Office region. It includes “sub-regions” as defined by the Regional Development Agencies (RDAs) and counties but also the immediate urban area in some cases. Several plans also made explicit reference to the Science Cities initiative
- regional – the Government Office regions in England, equivalent to the RDA area
- national, which typically covers the UK rather than England alone. In the vast majority of cases the focus was on either the region or the UK as a whole. The main exception is the Northern Way initiatives which cover more than one region
- international.

2.16 The 48 plans which provided this information accounted for 40% of HEIF 3 funds. Their distribution by geographical focus is shown in Table 2-4. Perhaps unsurprisingly given the steer which HEIs received, a large proportion have targeted the region as the geographical area of focus.

Table 2-4: Geographical focus

	<b>Sub-regional</b>	<b>Regional</b>	<b>National</b>	<b>International</b>
HEIF allocation to plans where geographical focus specified (£000s)	29,124	52,895	5,264	776
Number of HEIs	24	36	4	1
% of all HEIF 3 funds	23%	49%	18%	0.5%

2.17 Table 2-5 shows a more detailed breakdown of the geographical focus. Thirty-six per cent of funding was for HEIs which planned to focus on the sub-regional and /or regional area only.

<sup>5</sup> In many cases plans related to more than one area, for example regional and national.

Table 2-5: Detailed breakdown of geographical focus.

	Sub-regional only	Regional only	Sub-regional and regional	National and regional	National only	National and international
HEIF allocation to plans where geographical focus specified (£000s)	7,058	30,829	22,066	4,488	0	776
Number of HEIs	9	21	17	4	0	2
% of all HEIF 3 funds	4%	19%	13%	3%	0%	0.5%

- 2.18 Ninety-seven of the plans specifically referred to working with the RDA or at least aligning KT activities with the Regional Economic Strategy. These plans accounted for 77% of total HEIF 3 funds. In the vast majority of cases, however, the plans do little more than state conformity with the Regional Economic Strategy, sometimes quoting high level objectives from it. Only 11 plans specifically identify financial contributions from the RDA to the planned KT activities<sup>6</sup>. These 11 plans account for 12% of total HEIF 3 funding.

## Activities

- 2.19 One of the major difficulties we encountered with the plans is the limited information provided on the kinds of activities HEIs were intending to undertake. Many simply made statements about continuing to work with businesses and other organisations without specifying what form the collaboration might take. Where information has been provided, virtually no HEIs have indicated the level of resources likely to be devoted to a given set of activities<sup>7</sup>. Table 2-6 provides information taken from those plans which did give an indication of activities. (*Note this only shows the total HEIF 3 allocation to HEIs specifying a given activity; it does not imply, for example, that £71.3m was devoted to developing contract research*).

Table 2-6: Activities

Activity	HEIF 3 allocation to plans where activity specified (£000s)	Number of HEIs	% of all HEIF 3 funds
KTPs	£113,547	84	69%
Continuing professional development	£89,384	72	54%
Student enterprise education	£89,381	65	54%
Consultancy	£88,432	65	54%
Licensing	£82,018	52	50%
Spin-outs	£78,768	44	48%

<sup>6</sup> Almost none specify the amount of financial support.

<sup>7</sup> We recognise that this is difficult to do and could be misleading. Staff in the commercialisation office, for example, may support a range of activities and it can be difficult to apportion effort.

<b>Activity</b>	<b>HEIF 3 allocation to plans where activity specified (£000s)</b>	<b>Number of HEIs</b>	<b>% of all HEIF 3 funds</b>
Contract research	£71,318	45	43%
Network facilitation	£65,091	52	40%
Incubation space / Business support	£57,637	35	35%
Analysis and testing	£14,006	10	9%
CASE awards	£4,784	3	3%

2.20 We would caution against reading too much into Table 2-6, especially since it does not indicate the relative balance of effort within HEIs. However, it is interesting to note the relatively high proportion of institutions devoting effort to student enterprise. This includes HEIs (and their partners) which received Science Enterprise Challenge funding, but also other institutions. A very high proportion also mentioned expansion of KTPs, with HEIF resources being used to enhance promotion of the programmes internally and externally.

## Sector focus

2.21 Sixty-five plans specified one or more sectors which would be a focus for KT activities. Table 2-7 shows an analysis of this data. A substantial number (45) specified the creative and cultural industries, although these tended to have significantly smaller HEIF 3 allocations than the average. Health care was also identified by a relatively large number, but again these have lower than average HEIF 3 allocations.

Table 2-7: Sector focus

<b>Sector</b>	<b>HEIF 3 allocation to HEIs specifying this sector (£000s)</b>	<b>Number of HEIs</b>	<b>Average HEIF 3 allocation (£000s)</b>
Creative & cultural	40,537	45	901
Healthcare/Life sciences	39,996	26	1,538
Advanced engineering	26,439	13	2,034
Environmental	17,506	14	1,250
ICT	10,616	10	1,062
Aerospace/defence	7,495	4	1,874
Leisure & tourism	4,976	7	711
Marine engineering	4,023	2	2,012
Construction	3,509	2	1,755
Food & drink	2,151	5	430

2.22 Cutting across this sectoral focus, 76 HEIs specifically mentioned working with SMEs as (at least) a significant component of their plans. These HEIs accounted for 55% of the HEIF 3 allocations.

2.23 A number of plans specify working with not-for-profit and community-based organisations. As Table 2-8 shows, the voluntary sector in general and social enterprise more particularly are the primary targets. Many of the plans that mentioned social enterprise did not describe the nature of enterprises they intended to work with or the kind of support which would be provided. However, several made explicit statements that some spin-outs would be social enterprises.

Table 2-8: Working with the voluntary and community sector

<b>Sector</b>	<b>HEIF 3 allocations where specified (£000s)</b>	<b>Number of HEIs</b>	<b>Average HEIF 3 allocation (£000s)</b>
Voluntary sector	35,340	29	1,219
Social enterprise	30,959	22	1,407
Black and minority ethnic	14,302	14	1,022
Rural	10,292	11	936
Women in Enterprise	6,829	7	976

### List of abbreviations

CASE	Collaborative Awards in Science and Engineering
CPD	Continuing professional development
DfES	Department for Education and Skills
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
HEIF 3	Higher Education Innovation Fund round 3
KT	Knowledge transfer
KTP	Knowledge Transfer Partnership
OSI	Office of Science and Innovation
RDA	Regional Development Agency
SME	Small and medium-sized enterprise