

## Higher Education Funding Council for England

Title	Higher Education Innovation Funding 2011-2015: Board decisions on method and funding
To	Heads of HEFCE-funded higher education institutions
Of interest to those responsible for	Knowledge exchange; 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; Regional and local economic development
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Dear Vice-Chancellor or Principal

### Higher Education Innovation Fund 2011-2015: Board decisions on method and funding

1. This letter sets out decisions of the HEFCE Board in January 2011 on the method and total funding for Higher Education Innovation Funding (HEIF) for 2011-2015. It also provides the timetable for: consulting on the introduction of an external income threshold for HEIF allocations; making indicative and final allocations; and calling for and confirming institutional strategies. No action is required in response.

#### Context

2. Our overarching policies for HEIF were set out in 'Higher Education Innovation Fund round 4: Invitation and guidance for institutional strategies' (HEFCE 2008/02).
3. The Government set out its view on reform of HEIF in the grant letter to the HEFCE chair dated 20 December 2010 (see [www.hefce.ac.uk/news/hefce/2010/grant1112](http://www.hefce.ac.uk/news/hefce/2010/grant1112)) and in the Government's allocation of science and research funding 2011-2015 (see [www.bis.gov.uk/assets/biscore/science/docs/a/10-1356-allocation-of-science-and-research-funding-2011-2015](http://www.bis.gov.uk/assets/biscore/science/docs/a/10-1356-allocation-of-science-and-research-funding-2011-2015)).
4. In December 2010 we sent 'Higher Education Innovation Funding (HEIF) 2011 to 2015 and Higher Education-Business and Community Interaction (HE-BCI) survey reminder' (HEFCE Electronic Publication 08/2010) to HEIs to draw their attention to the grant letter's statement on HEIF. It also reminded institutions of the deadlines for submitting data to the Higher Education Statistics Agency (HESA) for the 2009-10 Higher Education-Business and Community Interaction (HE-BCI) survey (because HE-BCI data are used in calculating HEIF allocations).

## Board decisions

5. The Board agreed the following on the funding and method for HEIF for the period 2011-2015:
  - a. Funding of £150 million per annum should be allocated: this comprises £113 million from science and research ring-fenced funding and £37 million from HEFCE. This reflects the fact that HEIF supports all forms of knowledge exchange (KE), and that it is interlinked with both research and teaching.
  - b. Institutional allocations should be calculated based on performance metrics alone. This reflects both our policy that the allocation of HEIF should move towards performance (as stated in HEFCE 2008/02), and the Government's reform of HEIF. This also takes into account that funds for capacity-building have been provided over five years, in HEIF rounds 3 and 4, and the focus in tighter fiscal times must be on successful delivery. As part of this shift, funding for staff numbers as a measure of potential capacity will be discontinued.
  - c. The performance metrics and data sources used in calculating institutional allocations should be the same as those used in HEIF 4, largely drawn from the HE-BCI survey, that is:
    - contract research income (HE-BCI)
    - consultancy income (HE-BCI)
    - income from use of facilities and equipment (HE-BCI)
    - HESA non-credit-bearing continuing professional development courses
    - regeneration income (HE-BCI)
    - intellectual property income (HE-BCI)
    - Knowledge Transfer Partnership income from the Technology Strategy Board.
  - d. Income from small to medium-sized companies should be double-weighted.
  - e. There should be a maximum cap to the allocation to any HEI of £2.85 million. There should be moderation funding to ensure that no HEI above the eligibility threshold can gain or lose more than 50 per cent of its allocation from the last year of HEIF 4, 2010-11. This ensures that we maintain some priority capacity built up over past HEIF funding rounds, and that new capacity is scaled up at a sensible pace to ensure quality and value for money.
  - f. All years of data since those used in HEIF 4 should be used to calculate allocations (years 2007-2010) (the relative weights for data years, set to maximise the economic return on continued HEIF investment, will be set out in our circular letter in March).
6. Funds should be released against an approved institutional strategy for knowledge exchange and plan for use of HEIF.

7. The Board agreed to consult on the proposal set out in the grant letter that we should move away from a minimum allocation (where all HEIs gained a minimum of £100,000 of HEIF) to an external income threshold allocation, whereby only HEIs that exceed a threshold through their performance metrics will receive an allocation. This addresses the Government's concern that only HEIs that can demonstrate the most effective performance should receive funding. As a result of such a move, some HEIs would receive no HEIF at all. The Board agreed that we should consult on this proposal in the context of providing indicative allocations to HEIs using external income earnings, generating, through the HEIF formula, an allocation of £250,000 or more as the threshold level. This will enable HEIs to see the effects of this proposal on institutional distribution of HEIF. The consultation will ask for views on other ways to demonstrate and measure effective use of funds, which could satisfy concerns of Government and be used in a low-burden formula.

### Timetable

8. The Board agreed the following outline timetable for making HEIF 2011-2015 allocations to HEIs:

**February 2011:** Indicative allocations calculated by HEFCE, including use of 2009-10 HE-BCI data provided by HESA.

**March 2011:** A circular letter to be published with confirmation of relative weighting for data years, indicative institutional allocations for 2011-2015 and a consultation on the proposal of a threshold allocation. (The decision on a threshold cut-off to allocations affects a relatively small proportion of the total HEIF funding available. For the vast majority of HEIs the indicative allocation will be near to the final allocation, and hence can be used by the HEI for planning purposes to prepare for the start of new allocations in August 2011.)

**May 2011:** A document will be published with decisions on the consultation, final institutional allocations, and a call for institutional KE strategies and plans for use of HEIF.

**Summer 2011:** Submission of institutional strategies to HEFCE. Strategies will be considered and approved by HEFCE; expert researchers will provide feedback to HEFCE and HEIs and produce an overview report. Release of HEIF funds to an HEI to be conditional on our approval of its institutional strategy. However, given late timing of decisions, we will only consider changes to, or withdrawal of, HEIF funding in the light of our consideration of an HEI's strategy from 2012-13 onwards.

**(August 2011:** HEIF 2011-2015 allocations start.)

**Autumn 2011:** All institutional strategies reviewed and HEIs informed of decisions. Final outcomes of funding will be published. An overview of the strategies by expert researchers will be published. Information will be provided to HEIs in receipt of HEIF 2011-2015 allocations on future monitoring arrangements.

Enquiries

9. If you have any queries about this letter contact Adrian Day at [a.day@hefce.ac.uk](mailto:a.day@hefce.ac.uk) or Alice Frost at [a.frost@hefce.ac.uk](mailto:a.frost@hefce.ac.uk).

Yours sincerely

Sir Alan Langlands  
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