

August 2006/30

**Core funding/operations**

Allocation of funds

This report is for information only

This document lists the funding allocated through the third round of the Higher Education Innovation Fund over the two years 2006-07 and 2007-08. It also provides details of the calculation of formula allocations, the assessment of institutional plans, the award process for the competitive element of the initiative, and the assessment of update reports from Centres for Knowledge Exchange.

# Higher Education Innovation Fund round 3

## Funding allocations

The logo for the Department for Trade and Industry (dti), consisting of the lowercase letters 'dti' in a bold, sans-serif font.The logo for the Higher Education Funding Council for England (HEFCE). It features the word 'hefce' in a blue, lowercase, serif font. To the left of 'hefce' are the words 'HIGHER EDUCATION' and 'FUNDING COUNCIL' stacked vertically. To the right of 'hefce' are the words 'FOR ENGLAND'.

# Higher Education Innovation Fund round 3

## Funding allocations

To	Heads of HEFCE-funded higher education institutions Other bodies with an interest in HEIF 3
Of interest to those responsible for	Interactions between HE and business, the public sector and the wider community; Contract and collaborative research; Continuing vocational education or professional development; Strategic planning; Regional economic development; Knowledge transfer and exchange
Reference	2006/30
Publication date	August 2006
Enquiries to	Alice Frost, HEFCE tel 0117 931 7101 e-mail <a href="mailto:a.frost@hefce.ac.uk">a.frost@hefce.ac.uk</a>
	Alex Thompson, HEFCE tel 0117 931 7401 e-mail <a href="mailto:a.thompson@hefce.ac.uk">a.thompson@hefce.ac.uk</a>
	Ashley Malster, Office of Science and Innovation tel 020 7215 3866 e-mail <a href="mailto:ashley.malster@dti.gsi.gov.uk">ashley.malster@dti.gsi.gov.uk</a>

## Executive summary

### Purpose

1. This document lists the funding allocated through the third round of the Higher Education Innovation Fund (HEIF 3) over the two years 2006-07 and 2007-08. It also provides details of the calculation of formula allocations, the assessment of institutional plans, the award process for the competitive element of the initiative, and the assessment of update reports from Centres for Knowledge Exchange.

### Key points

2. HEIF 3 is a joint initiative from HEFCE and the Office of Science and Innovation. It provides funding to higher education institutions (HEIs) in England to support a broad range of knowledge transfer activities resulting in direct and indirect economic benefit to the UK.
3. Under HEIF 3, a formula allocation was available to all HEFCE-funded HEIs, and continuation funding was available to the 22 Centres for Knowledge Exchange initiated under

HEIF 2. We also invited bids from eligible HEIs under a competitive funding element. This was focused on innovative proposals that would extend the boundaries of effective knowledge transfer and exchange and achieve economies of scale.

4. The invitation and guidance for institutional plans and competitive bids was issued in HEFCE 2005/46.

**Action required**

5. No action is required

## Background

6. The Government announced in its 'Science and innovation investment framework 2004-2014' that it would further increase the funding for the Higher Education Innovation Fund (HEIF) to strengthen links between the knowledge base in higher education institutions (HEIs) and businesses and community interests. As part of the 2004 Spending Review it allocated funding to HEFCE and the Office of Science and Innovation (OSI) for a third round of funding that would build on HEIF 1 (funding for 2001-04) and HEIF 2 (2004-06).

7. In 2005 we consulted with English HEIs and other interested parties on our proposals for the structure and rationale of HEIF 3. HEIs stated their broad support for the proposals in the consultation document. A summary of responses is in HEFCE 2005/46 Annex D.

8. A total of £234 million has been made available through HEIF 3, over the two years 2006-07 and 2007-08.

## Formula funding

9. Approximately 70 per cent of the HEIF 3 funding (£164 million) has been allocated by formula across all HEFCE-funded HEIs, to support them in embedding and further developing their knowledge transfer work, so that it becomes integrated into the institution's mission as a sustainable activity.

10. The formula used to calculate the allocations for individual HEIs followed the model set out in the guidance document (HEFCE 2005/46). It has three components: potential and capacity building; external income as a proxy for demand; and activities not best measured by income. The minimum allocation to any HEI was £200,000 over the two years 2006-08, and the maximum was £3 million. Moderation was applied to mitigate any reduction in funding between the institution's previous HEIF funding and its HEIF 3 formula funding. The final formula allocations for all HEIs, and the data used in the allocation model, are shown at Annex A.

11. We invited each HEI to submit an institutional plan setting out its 'third stream' strategy for activities with business and the community, and how it proposed to use its formula funding. We received 133 institutional plans, which were assessed by HEFCE regional teams to ensure that funding would be spent in line with the overall aims of HEIF 3 and to establish a firm basis on which low burden monitoring could be safely applied. We sought advice from our Regional Advisory Groups. Where we felt the original submission did not adequately meet the published criteria, we sought additional information or clarification from the HEI. Through this process we were able to write to all HEIs by 1 July 2006 to confirm acceptance of their institutional plan, and the release of their HEIF 3 formula allocation.

12. Progress made by HEIs in implementing their HEIF 3 institutional plans will be monitored through their annual monitoring statement to HEFCE. We will aim to strike a balance between minimising the burden of monitoring requirements on HEIs and securing the necessary information for assurance about the proper use of public funds.

## **Competitive funding**

13. We allocated approximately £53 million through the competitive element of HEIF 3.

14. The aim of the competitive element was to complement the activity funded by the formulaic allocations, in particular by offering opportunities to pilot new ideas and approaches to knowledge transfer for the benefit of the economy, society and higher education more strategically. The competition was intended to support highly innovative projects of significant scale and impact. Entry was open to all HEFCE-funded HEIs but, given the small number of bids that would be selected for funding, we stressed that HEIs should not feel obliged to submit a bid.

15. We operated a two-stage process. At the first stage we invited interested HEIs to submit a brief proposal of 1,500 words. Ninety HEIs submitted bids at this stage. Of those, 23 were invited to submit full proposals to Stage 2. At both stages all bids were considered against the published criteria by an assessment panel chaired by OSI's Director General for Science and Innovation and HEFCE's Director for Research and Knowledge Transfer. Other panel members were representatives from a range of stakeholder groups. The membership is listed at Annex B. The panel also took advice from independent consultants contracted by OSI.

16. After considering the Stage 2 proposals, the assessment panel made recommendations for funding to the HEFCE Board and to the Science Minister, on behalf of OSI. The final allocations of competitive funding were announced in May 2006.

17. Eleven projects were successful in the competition and have been allocated funding of between £3.6 million and £5 million over the two years 2006-08. Each of the successful institutions will lead a consortium of partners from higher education, business and other interest groups to deliver the projects. More than 50 HEIs in England will be involved as partners, with some institutions participating in several different projects. The full list of funded projects and their awards is at Annex C.

18. Progress of the competitive projects against their business plans will be monitored through a low-burden annual monitoring report to HEFCE.

## **Continuation funding for Centres for Knowledge Exchange**

19. Under HEIF 3 we have allocated £17 million as continuation funding to the 22 Centres for Knowledge Exchange (CKEs) which were initiated under HEIF 2.

20. At the time of their inception in 2004, a government commitment was made to fund the CKEs for a period of up to five years. In HEFCE 2005/46 we asked the lead institutions for each CKE to submit a concise update of progress against the plan for which their centre received HEIF 2 funding for 2004-06. We asked them to include their strategy and high level plans for the next two years (2006-08), evidence of user confirmation of the added value provided, and explanation of the distinctiveness of the CKE compared with other knowledge transfer activities.

21. CKE update reports were assessed by HEFCE regional teams against the criteria set out in HEFCE 2005/46. Where the updates demonstrated satisfactory progress, we confirmed

funding in line with the previous plan. Where we had concerns about progress or queries about the reports, we contacted the HEI and requested additional information or clarification. Following this process, we were able to confirm in June 2006 that all CKEs had demonstrated satisfactory progress, and we allocated continuation funding to them in line with their original plans. Final allocations are given at Annex D.

22. In order to minimise the burden imposed on the sector while securing value for public money, we have invited the CKEs to undertake a mid-term self-evaluation exercise in 2006-07. The self-evaluation criteria are to be proposed by the CKE network and agreed with HEFCE, and will include an objective/third party evaluation as well as an assessment of progress towards sustainability.

23. From 2007 we will continue to monitor CKEs' progress in the agreed and effective use of HEIF 3 funds, through an annual monitoring return to HEFCE or other appropriate monitoring tool.

**Annex A**

**HEIF 3 final formula allocations, and data used in allocation model**

[SEPARATE EXCEL FILE]

## **Annex B**

### **HEIF 3 Assessment panel**

#### **Co-chairs**

Sir Keith O’Nions	Director General for Science and Innovation, OSI
Rama Thirunamachandran	Director, Research and Knowledge Transfer, HEFCE

#### **Members**

Dr Jean Bradbury	Executive Director of Science Policy, External Relations and Communications, Pfizer Limited
Professor Andrew Brewerton	Principal, Dartington College of Arts
Dr Philip Graham	Executive Director, Association for University Research and Industry Links (AURIL)
Professor Diana Green	Vice-Chancellor, Sheffield Hallam University
Dr Ian Harrison	Director of Knowledge Transfer Services, Innovation Group, DTI
Professor John Murphy	Head of University Partnerships, BAE Systems
Jeff Patmore	BT Group Technology Office, BT
John Randle	Head of Innovation, South East England Development Agency
Professor Alasdair Smith	Vice-Chancellor, University of Sussex



**Annex C**

**HEIF 3 Competitive element final awards**

[SEPARATE EXCEL FILE]

**Annex D**

**HEIF 3 Continuation funding allocations for Centres for Knowledge Exchange**

[SEPARATE EXCEL FILE]