UNIVERSITY ALLIANCE

University Alliance Response to HEFCE consultation – Higher Education Innovation Funding 2011 – 15

Consultation question 1: *Is our proposal of a threshold HEIF allocation a satisfactory and appropriate response to the need now to focus HEIF on the most effective KE performers?*

University Alliance represents 23 major, business-focussed universities. Alliance universities offer a research-informed, academic learning environment and a culture of innovation and enterprise, equipping graduates who will help deliver growth to the UK economy.

Alliance universities maintain a revolving door with business to help ensure graduate employers get innovative and thoughtful, professionally accredited graduates with the right skills to help grow their businesses. It is within this environment that previous HEIF funding has been invested innovatively and to great effect.[1]

It is with this in mind that this response focuses on maintaining the distinct purpose and effectiveness of HEIF funding following the welcomed allocation of a £150m flat cash settlement for HEIF 5.

Rewarding growth and excellence – a long term view

We support the government's aim to create a framework that encourages strong, sustainable, balanced growth. As the 'department for growth' seeks to develop its growth strategy we would urge that universities working in symbiosis with businesses, small and large, are recognised as drivers of innovation and enterprise. They are not just part of a growth strategy, but central to it.

Refocusing public spending on areas where it has the greatest impact on sustainable growth is prudent. Directing HEIF money to institutions that already have the capacity to deliver most national economic impact may serve short-term goals. However, to achieve long-term, sustainable growth, institutions that are gaining increasingly large returns on their investment of HEIF funding year on year (e.g. more than 10% increase in HEIF eligible income) should be recognised in HEIF allocations. Such institutions are delivering high returns on public investment and demonstrate a commitment to growing KE which, if supported, will impact the national economy in the long term. The current model does not sufficiently recognise and support growth and innovation in institutions with less historical capacity for income generation across the current set of metrics – this can mean that capacity rather than excellence is rewarded as a measure of performance.

We suggest that some form of gearing based on percentage increase in HEIF eligible income could be introduced alongside existing metrics. This would serve as an incentive to drive growth in innovation and KE across the sector resulting in increased long term impact to the UK economy.

[1] For examples of initiatives in Alliance universities see: L Aston and L Shutt, Efficiency, leadership and partnership: an approach that delivers shared economic priorities, June 2010 (http://www.university-alliance.ac.uk/downloads/Publication_Efficiency_Leadership_Partnership.pdf)

Upper threshold – ensuring that public investment achieves the greatest effect
We are concerned that the focus on financial measures for the distribution of HEIF5 may mean that an institution could retain the maximum HEIF allocation due to existing income streams rather than necessarily effective KE performance. For example, seven of the institutions awarded the maximum allocation in this round have seen reductions in HEIF eligible income compared with last year. To increase incentives for effective KE performance it may be appropriate to require an increase in HEIF eligible income compared with the previous year for an institution to be awarded the maximum allocation. Institutions maintaining HEIF eligible income at a level that would attract the maximum allocation but which do not demonstrate growth in output from KE activity would see their allocation reduced. These additional funds could then be redistributed to those institutions described above which demonstrate impressive proportionate growth in KE activity.

Consultation question 2: *Are there additional metrics available now that capture the breadth and benefits from KE activity, including activity primarily leading to non-monetised benefits, and that could be used to demonstrate the effectiveness of KE performance and could be collected in a fairly low-burden way?*

The UK's innovation ecosystem depends far less on the traditionally sought after technology transfer and far more upon innovation in management, business process improvement and better marketing; innovation that may owe less to traditional research and development than to new ways of building relationships between business and academia and of incubating new skills and knowledge. The current mechanisms of measuring how universities contribute to innovation in the UK struggle to encapsulate the rapidly expanding role and impact of universities.

It is for that reason that we share concerns about the focus on KE income generation as the only measure of effective KE performance. Whatever the final balance of metrics decided upon we must ensure that HEIF funding is able to support and reward a breadth of KE activities as distinct from those supported by QR funding. In this light we would welcome exploration into the potential use of the following indicators.

Knowledge Transfer Partnerships and Innovation Vouchers
Measuring the number of KTPs rather than the income from TSB for KTPs would reflect the social impact of creating jobs, improving graduate prospects and working in symbiosis with business. If a numeric figure is needed, multiplying the number of KTP placements by the average income from TSB for a KTP placement would act as a good measure. Additionally, measuring the number of innovation vouchers issued to institutions would reflect involvement in valuable innovation which has lower initial returns than interactions with larger businesses.

Successful graduate start-ups
Universities play a crucial role in nurturing and supporting graduate enterprise. This is an activity with little or no direct financial return for the university but one which is in line with government priorities to support the creation of new businesses and jobs and a culture of enterprise and innovation. Measuring the number or proportion of graduate start-ups still active after 3 years would ensure that the HEIF metrics acknowledge this area of innovative work undertaken in many universities to equip and support their graduates for starting up new, innovative businesses.

Credit-bearing Continuing Professional Development
There are cases where universities working closely with businesses have responded to business requests for CPD to be rewarded through credits. Credit bearing CPD has in the past been excluded from HEIF to avoid duplication of Hefce-T funding. In light of the new funding environment for teaching we urge that this position should be reconsidered. It is our view that HEIF eligible data should include all the CPD activity reported through HEBCIS and not just the non-credit bearing CPD recorded by HESA.

Social impact
In the past FTE academic staff numbers may have acted as a proxy for measuring social impact but now that scale of income is the only measure of effective KE, there is some concern that institutions will need to draw back from important activity that has less immediate economic impact, such as support for graduate start-ups and entrepreneurial activity. However, we appreciate that such activities are difficult to measure especially given that social impact may or may not be accompanied by tangible economic impact, particularly in the short term. One suggestion is that HEFCE could draw on the evidence base that formed the HERA Barometer Monitoring Report produced for DIUS and other stakeholders on Higher Education's response to the economic downturn. The HERA Barometer Monitoring Report captured much of the non-monetised KE activity from across the sector and may therefore make a valuable contribution towards revised HEIF metrics.

Consultation question 3: *Do you have any other comments on any aspects of the policies, method and funding for HEIF 2011-15?*

University Alliance supports the Government's aim of rebalancing the economy in part through creating opportunities which are spread more across the regions, and through those sectors where the UK is strong and can add real value. We believe that harnessing the links and processes that allow knowledge to be shared and developed with business is of central importance to ensure that universities can play their full role in the UK economy and wider society.[2]

While HEIF is a valued and central mechanism to support this activity it is critical that we continue to monitor and understand the value of investing in the wider KE support structure. The UK has developed considerable expertise in this area over recent years, which is too often underplayed and undervalued. Alongside important new initiatives such as the Technology Innovation Centres, we must ensure that changes in other areas of the support infrastructure, such as KTPs[3] and the R&D funding previously delivered through the Regional Development Agencies, do not have a detrimental effect on our economic priorities for the longer term.

Reviewing allocations midway through HEIF 5
Along with others in the sector, Alliance universities have significantly benefitted from HEIF investment. Much of this is reflected in increased HEIF eligible income despite the severe economic downturn. However, some of this activity is still too immature to impact upon HEBCIS outputs. We would therefore ask that HEFCE consider looking to

[2] See L Aston and L Shutt, 21st Century universities: engines of an innovation-driven economy, September 2010 (http://www.university-alliance.ac.uk/downloads/Publication_21st_Century_universities_engines_of_an_innovation_driven_economy.pdf)
[3] See: University Alliance, Keeping knowledge at the centre of growth, March 2011 (http://www.university-alliance.ac.uk/Keeping_knowledge_at_the_centre_of_growth_A5.pdf)

review the HEIF5 allocations in 2013 when further return on HEIF4 investment will be evidenced.