

## Uplifting HEIF funding to drive regional productivity and economic growth

### 1. Executive Summary

- 1.1 The Higher Education Innovation Fund (HEIF) is England's primary public funding stream for university innovation, enabling institutions to translate world-class research and student ideas into societal and economic benefits. A 2025 Research England commissioned review found that without HEIF, 38% of knowledge exchange (KE) activities would not occur, and that every £1 invested in HEIF generates £14.80 in returns for the UK. Large research-intensive universities deliver an even higher return on investment from their HEIF allocations, as much as 20:1 once spinout performance is accounted for.<sup>i</sup>
- 1.2 Unlike most funding streams, HEIF is uniquely flexible, allowing universities to use their insight to tailor investments to innovation strengths, regional ecosystems and emerging opportunities. It therefore supports a wide range of activities including generating new collaborations with business, driving licencing opportunities, empowering student entrepreneurs, and supporting the development of high-growth spinouts.
- 1.3 Welsh policy changes offer a useful insight into the impact of HEIF on the innovation ecosystem. Before Wales removed its HEIF-equivalent funding in 2014, its KE income was growing at 3% per year, slightly behind the 4% growth in England. After this funding was cut, KE income in Wales declined by an average of 2% per year, while in England, it continued to grow by 2% annually. Although funding has now been reinstated, as specialist jobs were lost and the pipeline of commercialisation activity disrupted, it will take time to build this back up.
- 1.4 HEIF is a vital driver of economic growth and regional development and by design, delivers on government objectives including **leveraging private investment, enhancing regional productivity, enhancing employability and skills and improving public policy.**
- 1.5 However, current caps on HEIF funding are limiting its potential. An uplift in the total HEIF pot could unlock billions in economic impact. To be successful any expansion must complement, not replace, funding for discovery research, which is essential for generating the breakthroughs that drive innovation and commercial success. HEIF must also retain its funding mechanism as evidenced by a recent review which noted that its success is "stemming from its flexibility and stability, alongside its accountability requirements."<sup>ii</sup>
- 1.6 Elsewhere in the UK, we urge the devolved governments to adopt equivalent mechanisms to HEIF and ensure they are also funded at scale and pace so the benefits of increased innovation activity are felt in every region.

### 2. HEIF is driving economic growth and regional development by supporting universities to meet impact goals set by the government

- 2.1 Research England's recent review of HEIF noted that the scheme, "delivered against government priorities by aligning its funding mechanisms and governance processes with strategic national goals including innovation, economic growth, and regional development." These include:

#### Increasing private investment in the UK

- 2.2 Russell Group universities leverage HEIF to attract private investment by supporting the specialist jobs, infrastructure, and facilities needed to develop investable opportunities based on university research and student entrepreneurship. These opportunities include: supporting collaborative research, consultancy work, business partnerships, student startups, spinouts, and intellectual property activities such as patent filing, market analysis and licensing.
- 2.3 In 2021, Russell Group spinout companies generated an economic impact of £17.8 billion (excluding productivity spillovers). Additionally, the universities' broader knowledge exchange activities, such as

contract research, consultancy, IP income, business and community courses, and access to facilities and equipment, contributed a further £5.5 billion.<sup>iii</sup>

**Acting as an anchor to attract investment:** The **University of Birmingham's** world-leading academic and clinical research and infrastructure is at the heart of a growing regional ecosystem for life-changing science. This ecosystem focuses on health and medical technology and precision healthcare. HEIF has facilitated connections and partnerships that leverage research awards from national and international funding agencies and charities to crowd-in private investment. This is evident in the development of the flagship [Birmingham Health Innovation Campus \(BHIC\)](#). The Precision Health Technologies Accelerator (PHTA) will open on this new site in 2025 and will provide significant commercial support for companies, including spinouts. PHTA offers a single-entry point to clinical-academic research for businesses who are accelerating the translation of healthcare treatments and technologies from early development into real-life application, drawing on the Birmingham Health Partners ecosystem.

**De-risking spinouts for private investment:** The **University of Liverpool** has invested HEIF into internal proof-of-concept funds to de-risk technologies in the commercialisation pipeline and increase investment into spinouts. In particular, the fund is used to generate supporting data and pre-clinical data packages prior to translational grant funding to further advance spinouts ready for private investment. Over a 5-year period, this £2.3m HEIF investment has leveraged around £14.5m in R&D funding for life science commercialisation projects. Similarly, over the last eight years, the **University of Sheffield** has deployed ~£7M pre-seed funding into spinouts using HEIF and other funds. The resulting spinout portfolio has now leveraged £55 million private investment.

#### **Enhancing regional support to address local productivity gaps and balance R&D intensity**

- 2.4 HEIF boosts local productivity in two key ways. Firstly, the new technologies, medical breakthroughs, and policy insights that stem from research and student activity enhance productivity. They also support highly skilled jobs, often in the area that the university is located. As research-intensive universities, including those in the Russell Group, are located in every region, HEIF helps spread innovation and its benefits across the UK. This, in turn, boosts investor confidence and attracts further investment to the region, extending beyond the initial innovation.

The **University of Newcastle** has used HEIF funding to play a pivotal role in developing Newcastle Helix, a 24-acre innovation district in the heart of the city. This collaborative project, in partnership with Newcastle City Council and Legal & General, brings together academia, the public sector, communities, and businesses to create a global centre for urban innovation. This project has led to vibrant new communities centred around R&D-intensive business, accompanied by new infrastructure, homes and high-value jobs – creating significant new “pull factors” into communities and the surrounding towns.

- 2.5 Secondly, HEIF enables universities to provide support and access to facilities to those who might otherwise be unable to benefit from these opportunities, particularly SMEs and entrepreneurs. This helps businesses develop new products, scale up, and drives local economic growth.

WestTech London, anchored by **Imperial College London's** innovation hubs and campuses, is a globally competitive innovation ecosystem capable of generating 150,000 new jobs and contributing £30 billion to London's economy within five years. At the heart of this, Imperial's White City Deep Tech Campus provides startups and scale-ups with access to specialist facilities, equipment, incubators, academic and commercial expertise. This is supported by HEIF and critical in helping develop and scale new technologies. For example, the Advanced Hackspace supports innovation with state-of-the-art prototyping facilities for staff, students, alumni and partners to test and refine their ideas and products. The Imperial Incubator offers tailored support and space for early-stage deep tech firms, whose companies have collectively raised over £622 million since 2016, with graduate companies developing operations across the UK.

- 2.6 HEIF also supports collaboration between universities across regions, including both Russell Group and non-Russell Group institutions, helping to drive commercialisation and distribute its economic benefits more widely across the UK.

### Enhancing employability and skills to create a more productive and equitable skills sector

- 2.7 HEIF supports student and graduate entrepreneurs through business development programmes, seed funding and mentorship. This work has supported in the creation of nearly 4,000 start-ups and over 50,000 jobs in the last decade.<sup>iv</sup>

The Careers and Enterprise Team at **Queen Mary University London (QMUL)** enhances student employability through enterprise and KE initiatives, including business bootcamps, seed funding and entrepreneurship networks. In 2023/24, they worked with 354 students, supported 72 new start-ups, and launched two enterprise networks with 180 members, promoting diversity with 80% of participants from BAME backgrounds. Notable successes include award-winning start-ups and initiatives tackling under-representation, such as the Female Founder's Retreat and *The Start-Up Diaries* podcast, which highlights diverse entrepreneurs.

- 2.8 Beyond entrepreneurship, HEIF enhances teaching and curriculum development by supporting academics to engage in KE activities. In the most recent survey of academics engaging in KE activity (2016), over 50% cited that their KE interactions led to changes to the way in which they present teaching material, over 40% said it led to changes in their course programmes and 22% specifically used their interactions to support curriculum development.<sup>v</sup> Over 30% of academics engaging in KE believed that their interactions led to an increase in employability of their students.

### Improving public policy and service delivery standards

- 2.9 HEIF funds academic engagement and investigation into modern policy challenges helping integrate scientific research into government decision-making. In many cases, HEIF helps universities bridge the gap between the cost of providing services and the funding available from UK government departments to deliver these activities.

In partnership with Energy Systems Catapult, **LSE** used HEIF funding to support its Just Transition Finance Lab in conducting applied research with Westminster City Council and Cumberland Council - both committed to ambitious climate targets. The project identified local climate opportunities by assessing each council's unique strengths and existing assets. It developed tailored net zero business models designed to accelerate decarbonisation while also promoting social welfare, economic development, and community wealth growth.

By working closely with local authorities and investors, the initiative significantly improved the investment readiness of key net zero projects. The potential gross value added (GVA) from these efforts is substantial - Westminster: £1.3 billion, with co-benefits of £171 million and Cumberland: £25.6 billion, with co-benefits of £1.01 billion. These impacts are projected between 2025 and 2050, demonstrating not only HEIF's role in improving public policy but also unlocking investment and driving regional economic growth.

## 3. How HEIF's design drives its effectiveness

- 3.1 Research England's recent review of HEIF showed that its impact is directly linked to its:
- (a) **Flexibility:** This allows universities to tailor funding to their objectives, addressing specific challenges and opportunities aligned with their strengths, regional needs and unique local insights. This also enables universities to secure match-funding from external partners to amplify impact.
  - (b) **Stability:** Its stable nature enables long-term planning, and allows universities to enter into multi-year projects and strategic partnerships with businesses and public and third-sector organisations.
  - (c) **Accountability framework:** Research England's accountability framework provides effective direction and oversight of the programme, ensuring alignment with government priorities while minimising administrative burden and increasing flexibility for universities.

## 4. The benefits of uplifting HEIF

- 4.1 HEIF is a proven, efficient mechanism for increasing productivity and regional economic growth. However, its current cap (£250m total, £5.7m per university) limits its potential. One Russell Group institution estimated that constraints on HEIF have prevented the development of 60% of their potentially viable spinouts. However, a scaled-up HEIF should complement, not replace, funding for discovery research. Maintaining a strong pipeline of fundamental research is essential for generating the breakthroughs that fuel innovation and commercial success. Aligning HEIF expansion with sustained support for discovery research will ensure the UK realises sustainable, long-term productivity gains and economic resilience.
- 4.2 In England, a HEIF increase could be distributed in line with the current formula, with caps on individual allocations being increased proportionally. Elsewhere in the UK, we urge the devolved governments to adopt equivalent mechanisms to HEIF and ensure they are also funded at scale and pace so the benefits of increased innovation activity are felt throughout the UK.
- 4.3 When Russell Group institutions were asked how they would use a £2m uplift in their HEIF allocation, answers included:
- (a) **Increasing tech transfer office (TTO) capacity:** This uplift would allow the university to increase their commercialisation activity including market analysis, business planning and customer engagement. They estimate that each 500k would create 5 more spinouts ready to attract private investment. To support a growing number of spinouts they would use some of the uplift to hire more TTO staff and entrepreneurs-in-residence. This would help to identify and retaining talent to work in the spinouts which enables faster growth and encourages them to stay in the region.
  - (b) **Enhancing proof-of-concept (POC) funding:** This uplift would fund approximately 20 additional POC projects at the university, helping them meet internal demand for funding to support this vital stage. This university received 56 internal proposals to its recent POC call and could only fund 10 of them. By scaling up POC, it would enable the university to create targeted, sector-specific projects to better attract philanthropic investment and private sector co-funding.
  - (c) **Scaling up business engagement:** This uplift would allow the university to strengthen business partnerships and align support with the industrial strategy and local priorities. It would fund more business events, bespoke SME engagement and help to leverage larger investments. It would also allow the university to make it easier for businesses to use their specialist facilities.

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<sup>i</sup> [A Quantitative Assessment of the Return on Investment of Research England's Higher Education Innovation Fund \(HEIF\)](#), Tomas Coates Ulrichsen (2024)

<sup>ii</sup> [Evaluation of the HEIF programme: 2008 to 2020](#), PA Consulting (November 2025)

<sup>iii</sup> [The economic impact of R&D activities at Russell Group universities](#), London Economics, (Jan 2024)

<sup>iv</sup> See endnote i

<sup>v</sup> [The Changing State of Knowledge Exchange: UK Academic Interactions with External Organizations 2005-2015](#), NCUB (2016)