Background information on the development of the University Innovation Fund

- This paper provides background information on the development of the University Innovation Fund (UIF) approach. It sets out the policy context and rationale for the decision to introduce the UIF in AY2016-17. It also details how the UIF approach has developed since AY2016-17.

Recommendations

- This paper is for noting.

Background information on the development of the University Innovation Fund

Introduction

1. This paper provides background information on the development of the University Innovation Fund (UIF) approach. It sets out the policy context and rationale for the decision to replace the Knowledge Transfer Grant (KTG) with the UIF in AY2016-17; a decision that represented a move away from the formulaic distribution of knowledge transfer funds to the adoption of an outcome driven model. It also details the process used by the SFC in partnership with the sector and other key stakeholders to develop the approach and how it has evolved since its introduction.

2. This paper is intended to supplement paper UIFRG/03/19 that provides a high level summary of the UIF approach at the point of review.

The Knowledge Transfer Grant: funding model, review and recommendations

3. The KTG was introduced by the then Scottish Higher Education Funding Council (SHEFC) in 2001-02 as a capacity building grant intended to equip institutions with resources to deliver knowledge exchange activity.

4. The KTG represented a long-term, flexible funding stream to support knowledge exchange activities, including the commercialisation of research.

5. In AY 2015-16 the KTG was £17.2 million. The Grant comprised:

   • A baseline allocation of £140k to each institution in recognition of the need for all universities to maintain dedicated knowledge exchange staff; and

   • A £14.6 million formulaic element allocated using the knowledge exchange activity metrics.

6. The methodology for allocating the KTG is presented at Annex A.

7. The SFC executive, working with RKEC and a Knowledge Transfer Grant short-life working group, first carried out a review of the KTG metrics over 13-14. Subsequent proposals were aimed at simplifying the metrics collection and to promote excellence in all forms of knowledge exchange with a clearer focus on SFC and Scottish Government priorities. They were met, however, with a lack of consensus across the sector and the SFC decided not to proceed with the changes proposed through consultation. Also, the Ministerial Letter of Guidance[1] to SFC 2015-16 (para. 27-8 in particular) called for *'innovative new*

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[1] http://www.sfc.ac.uk/web/FILES/About_the_Council/SFC_letter_of_guidance_2015-16.pdf

approaches to exploiting our research base and incentivising those who adopt them'.

8.   In light of the above, the Council's Board agreed that a strategic review of the whole operation of the KTG should be undertaken and not just the metrics used to allocate it.

9.   It was agreed that the review *"…should be comprehensive, ruling no options out initially, guided by SFC's strategic plan and Ministerial guidance".*

10.   A KTG Working Group was subsequently established with membership drawn from SFC RKEC and US RKEC members. The purpose of the Group was to develop a revised model for the use of the KTG that more transparently supported the Scottish Government's Economic Strategy than the KTG model.

      The KTG Working Group concluded that:

      - The existing public funding (the KTG) did not effectively support the economic and societal goals that Government expected external engagement by universities with business and other stakeholder to deliver.
      - There was not a direct relationship between activities reported through the KTG metrics return and the use of funding provided through the KTG. In addition, the KTG was not seen to be incentivising or rewarding the collaborative agenda for improvement exemplified by Universities Scotland 5-point plan[2]. This needed to be addressed.
      - SFC's Outcome Agreement process was now the central approach to the distribution of Scottish Government resource to universities through SFC. It was appropriate, therefore, that the KTG delivered a set of defined outcomes. The SFC should establish with the university sector what those outcomes should be and how the funding formerly referred to as KTG should be used to support their delivery.

11.   The proposals developed by the Group and reflected in the model agreed by Council in December 2015 (see below), were designed to address these findings and establish a model aligned with Scottish Government's Economic Strategy[3] that would be used in a partnership between SFC (on behalf of the Scottish Government) and Scottish HEIs to co-fund the contribution universities can make to an effective translation of research excellence to economic and societal benefit for Scotland.

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[2] Universities Scotland 5-point plan - https://www.universities-scotland.ac.uk/campaigns/five-point-plan-for-innovation/
[3] Scotland's Economic Strategy, March 2015
https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2015/03/scotlands-economic-strategy/documents/00472389-pdf/00472389-pdf/govscot%3Adocument

12. The new approach was intended to serve as a major component of the SFC and Universities Scotland's contribution to the Scotland Can Do[4] programme of innovation and entrepreneurial support. Funding would be provided to support the Innovation Scotland agenda of increasing the effectiveness of business-university engagement.

13. Critically, it was proposed to link the continued distribution of innovation-support funding to the ambition of each university to strive for excellence in the work it does with and for societal and commercial stakeholders across a range of commercialisation, entrepreneurial and other activities. There was no intention for the UIF to be tied to projects, only to outcomes and those identified in the Universities Scotland 5-point action plan and in the broader Innovation Scotland Forum Action Plan formed the basis of the outcomes to be delivered through the new approach at the outset.

14. These proposals formed the basis of the model that came to be agreed by the Council's Board in December 2015 that was intended to build on the capacity building foundation of the KTG but would differ by being driven by outcomes rather than activity. In recognition that this model represented a significant change from the status quo, the former KTG was re-named the UIF.

The UIF approach (AY2016-17)

15. Key features of the UIF approach as announced for AY2016-17 are outlined below.

Funding model

16. The re-positioned grant included baseline support for institutions' core KE staff and activities (**Platform Grant**[5]) alongside a national programme of structural change, process improvement, and university cultural change defined by agreed outcomes and agreed contributions to these outcomes. Participation in this programme justified receipt of the **Outcome Grant**. Collaborative contributions were encouraged where appropriate.

17. For AY2016/17 the sector signed up to the delivery of 'priority actions' with an emphasis on collaboration where appropriate. These outcomes were agreed in partnership with the sector and key stakeholders and aligned with Universities Scotland 5-point Action Plan and the broader Innovation Scotland Forum Action Plan. It was noted at that time that there would be scope for greater innovation in the development of priority outcomes in future years, thereby raising sector

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[4] Scotland Can Do - https://cando.scot/
[5] A matched baseline contribution towards maintaining each university's knowledge exchange and innovation activities. This was set at £250K per HEI, subject to the availability of funds. All but the smallest HEIs and Small Specialist Institutions are expected to match the SFC contribution.

ambitions. The priorities for AY2016-17 are provided at Annex B.

18. For AY2016-17 each institution was asked to submit a UIF plan to the SFC on their planned use of UIF. It was recognised at that time that, depending on the HEI, it was possible that engagement with some, rather than all, outcomes may be appropriate. Consortia of HEIs were encouraged to deliver many, if not all, of the national outcomes. Innovative approaches to delivery were encouraged.

Distribution method

19. The UIF Outcome Grant was modelled on the capacity of Scottish HEIs' for knowledge exchange – based on the KTG AY2015-16 allocations as informed by the AY2014-15 metric return. SFC noted at that time that it intended to continue to fund HEIs at this proportion in future years. This position was subject to the availability of funds and conditional on HEIs demonstrating proactive engagement with the UIF approach.

20. The (former) KTG metrics would be collected for AY2016-17 but would not be used to define funding allocations. This collection was at the request of Scottish Government as specific metrics were used to inform the Scotland Performs indicators. SFC had publically stated that it no longer considered these to be fit for the purpose of proxies for economic or social impact arising from the activities of universities. Institutions were also required as a condition of grant to complete the HESA Higher Education Business Community Interaction (HE-BCI) data return. It was envisaged that this would be the only return that institutions would need to complete in future years and SFC would work with institutions to support the accuracy of returns and with HESA to revise the return to include Scottish specific data where appropriate. HEBCI data was intended to serve as a useful indicator of sectoral activity and how the landscape was evolving.

Monitoring and evaluation

21. A framework to monitor and evaluate the success of the UIF approach at a national level was to be developed. It was indicated at this time that this framework – to be co-developed with the sector through Universities Scotland's Research and Commercialisation Directors Group- would provide a platform for the sharing of good practice and set a baseline from which improvement could be measured. It was to be used by the SFC as the main mechanism for measuring the impact of the UIF at a national level.

The development of the UIF approach

22. AY 2016-17 was considered a year of transition. A three year framework (AY 2017-20) for the UIF, aligned with the Outcome Agreement cycle was agreed by RKEC in November 2016. It was subsequently agreed by RKEC in August 2018 that the framework should be extended by one year to end of AY2020-21. This was to allow more time for the review of the UIF approach to be undertaken.

23. The framework – consisting of seven outcomes - was agreed through a sector wide workshop facilitated by SFC and Universities Scotland (October 2016). Whilst the majority of the 'priority actions' agreed for AY2016-17 were still considered relevant/current, it was agreed that the articulation of these under high level 'outcomes' or 'shared objectives' would add value and provide a clearer direction of travel.These outcomes are provided at paper UIFRG/03/19, Annex A and are aligned with the Scottish Government's economic strategy, Universities Scotland 5 point action plan and the Scottish Government's 'Innovation Plan' published in January 2017.

24. From AY2017-18, the monitoring of both elements of the UIF grant at an institutional level passed to the Outcome Agreement process, strongly supported by the SFC's Research and Innovation Team. Each institution is required to submit a UIF plan detailing the contribution their institution will make to the delivery of the national outcomes as part of their Outcome Agreement. As before, consortia of HEIs continue to be encouraged to deliver many if not all of the national outcomes and innovative approaches to delivery and collaboration where relevant were encouraged. In accordance with the outcome agreement process, institutions are able to review and amend their contributions to the delivery of the national outcomes annually if this was required. Institutions report on progress delivering their UIF plan as part of the Outcome Agreement self-evaluation they submit to SFC in October each year.

25. Since AY2016-17, the sector has worked to identify areas for collaborative activity. Through Universities Scotland's Research and Commercialisation Director's Group (US RCDG) groups have formed under the seven outcomes and all universities have confirmed their intention to fully engage with these where relevant. Each group is led by a university and each has made progress in terms of examining good practice and areas for collaborative activity that will lead to sector improvement. Key stakeholders – Scottish Enterprise, Highlands and Islands Enterprise, Interface and Scottish Government – are fully engaged in this activity.

26. A UIF Collaboration Manager was appointed in March 2018 to support the delivery of collaborative elements of the UIF approach. A collaborative

framework is in development.

27.   Finally, it should be noted that the SFC has continued to collect the KE metrics at the request of Scottish Government but has not used these to inform funding allocations. The KE data returns are published on the SFC's website[6].

28.   Institutions have continued to be funded at a level relative to the former KTG distribution (adjusted to include the Platform Grant). Information relating to the overall UIF budget is available at paper UIFRG/03/19, Annex B.

29.   The completion of the HE-BCI return remains a condition of grant.

Recommendation

30.   The Review Group is invited to note this paper.

Publication

31.   This paper will be published on the Council's website following the meeting.

Further information

32.   Contact: Fiona Bates, Policy/Analysis Officer, tel: 0131 313 6609, email: fbates@sfc.ac.uk.

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[6] KE metric data - http://www.sfc.ac.uk/funding/university-funding/university-funding-innovation/university-innovation-funding.aspx

Annex A: Methodology for Allocating Knowledge Transfer Grant

Introduction

1. This document describes the methodology for deriving the allocations from the Knowledge Transfer Grant (KTG), which was last allocated in 2015-16.

Weighted Knowledge Transfer Income

2. The allocations of KTG were informed by weighted three-year averages of knowledge transfer income, derived from SFC's Knowledge Transfer Metrics returns. The income was updated each year to take account of the latest KT Metrics Return.

3. The income was weighted depending on the type of activity for which the income was received. In addition if the income came from a Scottish SME the weighting for the relevant activity was doubled. The weightings used were:

Activity	Weight	SME Weight
Outreach	5.00	n/a
Enterprise Schemes	4.00	n/a
Consultancy	3.50	7.00
CPD	2.50	5.00
Research	2.25	4.50
Licensing	1.50	3.00
Translational	1.50	n/a
Venturing	1.00	n/a

Allocation Method

4. The method of allocating the Knowledge Transfer Grant for 2016-17 was:
   - Each institution was given a baseline allocation of £250K
   - The remainder of the grant was split in proportion to each institution's weighted three-year average knowledge transfer income.

Annex B: University Innovation Fund Priorities for AY 2016-17

The national priorities outlined below were developed in partnership with the sector and represented the areas of focus for AY2016-17.

1. Promote entrepreneurial opportunities to students during their studies.

2. Increase development opportunities for and uptake of entrepreneurial training and education, and develop institutions' practitioner-led entrepreneurial training.[7]

3. Encouraging mobility of staff between business and universities.

4. Set out breadth and depth of professional development available to University Enterprise & Innovation officers; identify any gaps.

5. Enhance skills for effective collaboration within the academic and SME business base

6. Examine partners current strategies/initiatives, and the government actions, to ascertain how to best support the transition from transactional to strategic relationships between universities and business/ industry sectors

7. Implement enhanced template contract arrangements for SME's in all Scottish universities

8. Implement "post-project referral protocol" in all individual HEIs and Innovation Centres.

9. The development of a Framework for monitoring and evaluation of the success of the new UIF approach

10. (Development of the structures and mechanisms to give) more ambitious and effective connection of universities to social and cultural beneficiaries; and

11. (Development of the structures and mechanisms to give) more effective support for Scottish businesses to trade on a European and global stage.

12. Fundamentally re-thinking the innovation support ecosystem of Scotland.

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[7] This and the preceding item link to the Universities Scotland Entrepreneurial plan "Making it Happen" available at: http://www.universities-scotland.ac.uk/publications/making-it-happen/