Review of Knowledge Transfer Grant

- This paper invites the Council’s Board to agree proposed changes to the Knowledge Transfer Grant (KTG).

Recommendations

- To agree the proposals for transformational changes to the KTG contained in this paper, replacing it with the Universities Innovation Fund (UIF).
- To agree to delegate authority to the Chief Executive to agree the national priorities set for the Outcomes Grant portion of the UIF in Academic Year 2016-17.
- To agree to delegate authority to the Chief Executive to finalise the guidance we will issue to institutions week commencing 21 December 2015.
- To note that the executive will bring final funding recommendations to the Council’s Board for decision in March or April 2016 as appropriate.
- To note that the KTG review has been enabled by the pro-active initiative of Universities Scotland to contribute strongly to the improvement of innovation support in Scotland.
- To note that the review of KTG is happening at a time when Universities Scotland have proposed the integration of Scottish Innovation support into a single fund and this proposal is being considered by Scottish Government.
- To offer views on the role that SFC should play in maximising the value of the university sector to the innovative economy given this policy environment and the resource that Scottish Government has made available for this purpose.

Financial implications

- There are no financial implications for the SFC as the proposals would affect the distribution of innovation-support funding but not the SFC budget assigned to it.
Review of Knowledge Transfer Grant

Purpose

1. This paper invites the Council’s Board to agree proposed changes to the Knowledge Transfer Grant (KTG).

Background

2. The SFC first carried out a review of KTG metrics through consultations in October 2013\(^1\) and June 2014\(^2\). The papers and minutes describing this review are available on the Research and Knowledge Exchange Committee (RKEC) area of the SFC’s website.\(^3\)

3. Following the latter consultation, RKEC agreed that the lack of a consensus meant there was no clear basis for proceeding with the changes to the metrics proposed in that consultation. The Committee also noted the Ministerial Letter of Guidance\(^4\) to SFC (para. 27-8 in particular) which called for ‘innovative new approaches to exploiting our research base and incentivising those who adopt them’.

4. In light of the above, the Committee agreed that a full strategic review of the KTG was required and convened a review working group from its membership and that of Universities Scotland RKEC to develop proposals for the use of KTG that more transparently supported the Scottish Government’s Economic Strategy and was more innovative in its approach.

5. It was agreed that the review “...should be comprehensive, ruling no options out initially, guided by SFC’s strategic plan and Ministerial Guidance.”

6. The proposals developed by the Review working group were intended to re-position the KTG - renamed the Universities’ Innovation Fund (UIF) - as a fund that would incentivise those willing to work collaboratively to design and adopt innovative new approaches to exploiting the research base that would lead to a significant change in Scotland’s already good performance.

7. RKEC endorsed the proposals on 8 June 2015 (RKEC/15/12), which were then considered and agreed by the Council’s Board at its meeting on 19 June 2015.

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\(^1\) http://www.sfc.ac.uk/communications/Consultations/2013/Consultations_SFC012013C.aspx

\(^2\) http://www.sfc.ac.uk/communications/Consultations/2014/SFCCN012014.aspx

\(^3\) http://www.sfc.ac.uk/about_the_council/council_board_committees/Committeepapers/committee_papers_page.aspx?Search=&Type=Committee%20papers&Sector=1&Interest=Research

(SFC/15/22) and the consultation (SFC/CN/02/2015) was circulated to the sector in August 2015.\(^5\)

8. The SFC’s RKEC considered responses to the consultation at its meeting on 26 November 2015 and agreed recommendations to the Council’s Board, noting that a sector wide workshop would be held following the meeting to identify and define national priorities for the UIF Outcome Grant in a collaborative manner. The recommendations set out in the remainder of this paper reflect the recommendations of RKEC and the output from the sector wide workshop held on the 7\(^{th}\) December 2015.

Universities’ Innovation Fund

9. RKEC recommend to Council a two strand Universities’ Innovation Fund (UIF) intended to replace the KTG with a fund that will incentivise those universities willing to contribute to the design and adoption of innovative new approaches to exploiting the research base that will lead to a significant positive change in Scotland’s already good performance.

10. The re-positioned grant will include baseline support for institutions’ core KE staff and activities (Platform Grant) 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 will justify the delivery of the Outcomes Grant.

Platform Grant

11. A UIF Platform Grant of £250k per HEI per year is proposed, where an individual institution can make us of it effectively.

12. This represents a baseline contribution towards maintaining each university’s knowledge exchange and innovation activities. Similar to the KTG baseline fund this element can be used at the institution’s discretion to support maintenance of core staff and activities, support activities which are non-income generating as well as staff development and development of policies and practise.

13. Institutions will be expected to provide match funding if they are able to, giving stable, predictable core funding for innovation support and knowledge exchange of £500k per annum

14. The Outcome Agreement process will be used to discuss with individual institutions both their ability to utilise, and to match fund this level of baseline funding.

\(^5\) The KTG consultation document and responses are available at http://www.sfc.ac.uk/communications/Consultations/2015/SFCCN022015.aspx
Outcomes Grant

15. The second element of the UIF, the Outcome Grant will be distributed on the basis of satisfactory contribution to the delivery of national priorities with universities working collaboratively where appropriate.

16. The Grant will be used by universities to support a wide range of commercialisation, knowledge exchange, public engagement and other activities. However institutions will also be expected to demonstrate their commitment to and progress towards delivery of the nationally agreed priorities.

17. The national priorities will be identified and defined by the sector through a sector wide workshop facilitated by SFC and Universities Scotland.

18. The Grant allows a range of institutional responses to be supported, ranging from collaborative national initiatives to address key priorities to individual institutional responses to those needs and issues.

Transitional arrangements

19. RKEC recommend that in 2016/17 only £4M is allocated through this Outcome Grant process, with the funds remaining after distribution of the Platform Grant being allocated to institutions in proportion to their 2015/16 KTG allocations.

20. This will allow a relatively rapid development of a limited number of priorities for the first year. It is recommended that in future years, with a longer lead time for development of priorities, a 3 year cycle, matching the Outcome Agreement cycle, should be implemented. To allow flexibility, priorities would be reviewed annually but major shifts would not be anticipated.

National Priorities

21. In the first year, as set out above under transitional arrangements, a national workshop has identified priorities to be addressed using the £4M transitional Outcome Grant. Due to the short lead-in time and restricted funding RKEC recommended that the Innovation Scotland Forum’s action plan and Universities Scotland’s 5 point action plan will provide a good starting point.

22. A sector-wide workshop was held on 7 December 2015 to begin the process of identifying and defining priorities for 2016/17. The outcomes of the workshop are presented in the Annex and an update will be available at the meeting.

23. While necessarily limited in the first year, in future years there will be greater scope for innovation in the development of outcomes and this will continue to be a sector led process.
24. It is proposed that following final agreement from the sector on the national priorities for 2016/17 these will be agreed by the Chief Executive under delegated authority and the executive will issue substantive guidance to the sector on addressing the priorities and presenting their plans to SFC.

**Distribution method**

25. It is proposed that funding is allocated relative to the current distribution (adjusted to the new Platform Grant and taking into account the overall KTG budget as agreed by the Board following the Scottish budget). Deviation from this allocation would be subject to exceptional contribution, positive or negative, to the nationally agreed priorities.

26. If the Scottish Budget requires significant change to the KTG/UIF envelope then a revision to this distribution method may be brought to the Board in early 2016.

27. The executive will bring final funding recommendations to the Council’s Board for decision in March or April 2016.

**Monitoring and Evaluation**

28. The monitoring of both elements of this grant at an institutional level will pass to the OA process, strongly supported by the Research and Innovation Directorate in SFC. Evaluation of the overall success of this new approach at a national level would be undertaken with/for RKEC and would be through:

   • Cumulative assessment of the meeting of goals
   • Progressively more challenge being accepted and met by the sector.

29. It is proposed that the framework for monitoring and evaluating outcomes will be developed by the sector during 2016 as one of the national priorities identified for the UIF Outcomes Grant.

**KTG Metrics**

30. RKEC do not recommend that SFC continue to collect the KTG metrics. While recognising that the sector value a time series of data it was agreed that collection of these metrics could not be justified when they would not be utilised and the data was largely replicated in the HE-BCI survey. There are intuitions in the sector who do wish SFC to continue to collect the metrics.

31. RKEC recommend that institutions continue to be required to complete the HESA Higher Education – Business Community Interaction data return and that the executive work with the sector to ensure a consistency of response. Scotland specific quantitative information may also be collected through the
Outcome Agreement process.

Risk assessment

32. If there is failure to reach a consensus on the way forward there is a risk to delivery of the Council’s strategic objective on “Greater Innovation in the economy”.

33. The proposals outlined here are bold and are intended to be transformational. There will therefore be a risk that the operation of these proposals is not initially perfect. We will mitigate this risk by being willing to review operation of the UIF and amend it in consultation with our partners in the university sector.

Integrated Innovation Support

34. The proposed re-shaping of the KTG into the UIF described above has been made possible by a combination of sustained political focus on the opportunity to improve the quality of innovation support in Scotland (giving rise to the Innovation Scotland Forum) and the pro-active initiative of Universities Scotland to contribute strongly to that improvement.

35. Over recent years, the innovation support offered to Scottish companies by SE and HIE and that offered to Scotland’s universities by SFC has been increasingly aligned and co-ordinated. The approach taken by SFC, SE and HIE to the Innovation Centres and to the funding of Interface have been exemplars of this alignment.

36. There have been discussions very recently, initiated by Universities Scotland, of the merits of combining the innovation support offered by SE, HIE and SFC (and potentially by other agencies and departments of Government) into one single innovation acceleration fund.

37. Clearly, resources for such a fund would need to be found and the current innovation support funding of SFC (including the KTG, now UIF, discussed here) would be likely to be affected if a single Scottish fund were to be established.

38. The SFC executive understands that Government is considering such a proposition and the SFC Board is asked to offer its views on the role that SFC should play in maximising the value of the university sector to the innovative economy given this policy environment and the resource that Scottish Government has made available for this purpose.

Equality and diversity assessment

39. SFC’s initial assessment of proposals is that they, at the level of the policy change for the KTG as a whole, cannot be predicted to favour or disadvantage
any particular group.

40. In establishing the nationally agreed priority outcomes which will justify the distribution of the UIF, we will agree with the universities that any potential implications for equality and diversity will be examined as part of the process of describing individual universities’ contributions to those national objectives.

41. With regard to the use of the UIF to support KE activity in universities, we will (following the practice of the recent Research Excellence Grant allocation), stress the obligations of universities to be aware of the equalities and diversity impact of their use of the UIF in their institutions and also require them to actively build on good practice to ensure positive promotion of equality and diversity in their staff and all who are affected by the use of the UIF. HEIs should be able to monitor and report on progress in equality and diversity in their Outcome Agreements.

Financial implications

42. There are no financial implications for SFC as the proposals would affect the distribution of innovation-support funding but not the SFC budget assigned to it.

43. SFC is responsible for ensuring that its relevant policy measures and projects comply with the European Commission state-aid legislation. This is particularly relevant for those investments which promote HEI and business (and wider) engagement in economic activity. For example, the SFC’s Innovation Centre programme has been registered with the European Commission as a General Block Exemption Scheme. Before implementing any new policy/grant, such as the UIF, we will consider any state-aid compliance issues which may or may not arise.

Recommendations

44. The Council is invited to:

- Agree the proposals for transformational changes to the KTG contained in this paper, replacing it with the Universities Innovation Fund (UIF).

- Agree to delegate authority to the Chief Executive to agree the national priorities set for the Outcomes Grant portion of the UIF in Academic Year 2016-17.

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[6] “State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU).” - [www.gov.uk/guidance/state-aid](http://www.gov.uk/guidance/state-aid)
• Agree to delegate authority to the Chief Executive to finalise the guidance we will issue to institutions week commencing 21 December 2015.

• Note that the executive will bring final funding recommendations to the Council’s Board for decision in March or April 2016 as appropriate.

• Note that the KTG review has been enabled by the pro-active initiative of Universities Scotland to contribute strongly to the improvement of innovation support in Scotland.

• Note that the review of KTG is happening at a time when Universities Scotland have proposed the integration of Scottish Innovation support into a single fund and this proposal is being considered by Scottish Government.

• Offer views on the role that SFC should play in maximising the value of the university sector to the innovative economy given this policy environment and the resource that Scottish Government has made available for this purpose.

Publication

45. This paper will be published on the Council website.

Further information

46. Contact: Stuart Fancey, Interim Director of Research and Innovation, tel: 0131 313 6559, email: sfancey@sfc.ac.uk.
University Innovation Fund Annex.

At a Workshop on 7 December 2015, convened by SFC, representatives of all Higher Education Institutions were invited to discuss the identification of a set of national priorities that could form the initial set of sector-wide ambitions for the new UIF. The discussion was initially focussed on the ambitions identified by Universities Scotland in its “5-point plan” and on the ambitions identified as being led by the University sector in the Innovation Scotland Action Plan. This approach was the one consulted upon and supported by RKEC.

Arising from that discussion, a set of priorities for action, leading to outcomes is now being discussed further by the universities and an update will be provided at the meeting.

The starting list of priority actions follows. These vary in character from well-defined action-focussed tasks with considerable impact to broader goals which will need to be interoperated by HEIs working together and individually. A mix of these types of goal is sought for this first year of the UIF, to inform the transition to the OA process for this grant.

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.8

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.
To which we would add, as mentioned in the consultation:


Arising from observation in the Workshop discussion that more outward-looking goals are desirable, two further items for consideration in this coming year’s priorities were discussed:

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.

The university sector recognises the contribution it can, and should, make to the innovation support ecosystem of Scotland and the meeting suggested a further stream of sector-wide work could be started with the goal of:

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