



SFC Consultation

Knowledge Transfer Grant Consultation

Issue date: 24 August 2015

Deadline: 16 November 2015

Reference: SFC/CN/02/2015

Summary: Consultation on proposals for changes to the Knowledge Transfer Grant

FAO: Principals and directors of Scotland's universities

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Knowledge Transfer Grant Consultation

1. I am writing to invite views on proposals for changes to the Knowledge Transfer Grant to take effect from Academic Year 2016-17.

Consultation process

2. We are committed to consulting widely on our proposals and welcome comments from our stakeholders and anyone with an interest in the issues raised in this document. We particularly encourage responses from individual institutions. The consultation period will run from 24 August 2015 to 16 November 2015 at noon.
3. A copy of this consultation has been published on our website.
4. As part of the wider consultation process we will also liaise with key organisations such as Universities Scotland and the enterprise bodies through existing links.

How to respond to this consultation

5. Responses to the key questions should be sent to SFC either:

Through the online consultation form at:

<http://www.sfc.ac.uk/communications/Consultations/2015/KTGform.aspx>

By post to:

Knowledge Transfer Grant Consultation
Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

Or by email: ktgconsultation@sfc.ac.uk

Status of responses

6. You should state clearly whether your response represents the views of a specific organisation or whether you are writing in an individual capacity.

Openness

7. We will make responses to this consultation available publicly. If you ask for your response not to be published, we will regard it as confidential and we will treat it

accordingly.

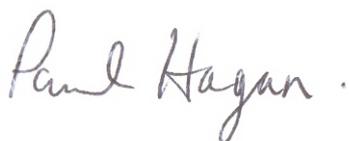
8. However, respondents should be aware that we are subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would, therefore, have to consider any request under the Act for information relating to responses made to this consultation exercise. You should mark clearly any parts of your response that you wish us to treat as confidential, subject to the Freedom of Information Act.

Acknowledgement of responses

9. We will acknowledge all responses. Please include an email address so that we can confirm we have received your response.

Further information

10. For further information please contact: Dr Stuart Fancey, Assistant Director, Research & Innovation (Direct line: 0131 313 6559; email: sfancey@sfc.ac.uk) or Hazel McGraw, Policy Officer (Direct line: 0131 313 6657; email: hmcgraw@sfc.ac.uk).



Paul Hagan

Director, Research, Innovation and Outcome Agreements

Knowledge Transfer Grant Consultation

Background

1. This consultation document sets out the Scottish Funding Council's (SFC's) strategy to "use investment to transform the innovation environment in Scotland and make it work"¹ and in this context seeks comment on proposals to change the Knowledge Transfer Grant (KTG). It invites responses to specific proposals at Annex C.

Strategic context

2. This consultation relates to "Outcome 8: University/industry collaboration and the exploitation of research" in the SFC Strategic Plan 2012-15 and the Outcome on "Greater Innovation in the Economy" of the developing strategic plan for 2015-18.

The Knowledge Transfer Grant

3. The KTG was initially 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 has to date been a long-term, flexible funding stream to support knowledge exchange activities, including the commercialisation of research.
5. In 2015-16 the KTG was £17.2 million². 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.

Knowledge Exchange landscape

6. The knowledge exchange landscape has changed significantly since the introduction of the KTG in 2001-02.
7. HEIs have significantly increased their knowledge exchange activities, supported by the increase in the KTG over the period. For example:
 - KE capacity is now embedded as part of day to day business in Scotland's universities. Their KE activities are complemented through the work of Interface and the newly established Innovation Centres.

¹ SFC's developing 2015-18 strategic plan

² As in the past, the funding allocated to KTG in the future may vary depending on the budget available to SFC and the strategic priorities determined by the Scottish Government and SFC's Board.

- The renewed emphasis on ‘impact’ in the Research Excellence Framework and the introduction of Outcome Agreements has provided an opportunity for the universities to demonstrate the success of their KE activities.
- It has also stimulated discussion on how the KTG can be used to drive strategic change and improved performance in KE activity.

Review of the Knowledge Transfer Grant

8. The SFC first carried out a review of KTG metrics through consultations in October 2013³ and June 2014⁴. The papers and minutes describing this review are available on the Research and Knowledge Exchange Committee (RKEC) area of the SFC’s website⁵.
9. Following the latter consultation, the Committee 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](#)⁶ to SFC (para. 27-8 in particular) which called for ‘*innovative new approaches to exploiting our research base and incentivising those who adopt them*’.
10. 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.
11. It was agreed that the review “...should be comprehensive, ruling no options out initially, guided by SFC’s strategic plan and Ministerial Guidance.”
12. The proposals set out below have been developed by the Review working group and have been endorsed by RKEC and the Council’s board at its meeting on 19 June 2015.

Proposals

13. While recognising the progress that the sector has made since the KTG was introduced in 2001-02, the Review working group has developed a set of proposals to re-position KTG as a fund that will incentivise those willing to work collaboratively to design and adopt innovative new approaches to exploiting the research base that will lead to a step-change in Scotland’s already good

³ http://www.sfc.ac.uk/communications/Consultations/2013/Consultations_SFC012013C.aspx

⁴ <http://www.sfc.ac.uk/communications/Consultations/2014/SFCCN012014.aspx>

⁵

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

⁶ http://www.sfc.ac.uk/web/FILES/About_the_Council/SFC_letter_of_guidance_2015-16.pdf

performance.

14. The heart of the vision for the re-positioned grant will include baseline support for institutions' core KE staff and activities alongside national programmes of structural change, process improvement and university cultural change defined by agreed outcomes and agreed contributions to those outcomes.

Universities' Innovation Fund

15. It is our intention that the KTG is renamed to better reflect its purpose and to underline that this change represents a significant move away from the *status quo*. This consultation document uses Universities' Innovation Fund (UIF) as a working title.
16. Starting from the Scottish Government's Purpose and Scotland's Economic Strategy⁷ the UIF should support the Innovation pillar of the Economic Strategy. It will be used in a partnership between SFC (on behalf of the Government) and the Scottish HEIs to co-fund the contribution the universities can make to an effective translation of research excellence to economic and societal benefit for Scotland. The UIF will build on the capacity building foundation of the KTG but will differ from it in being driven by outcomes and not by activity.
17. The use of the UIF will be identified as a major component of the SFC and Universities Scotland contribution to the Scotland Can Do⁸ programme of innovation and entrepreneurial support. The UIF will also be identified as funding available to support the Innovation Scotland agenda of increasing the effectiveness of business-university engagement.

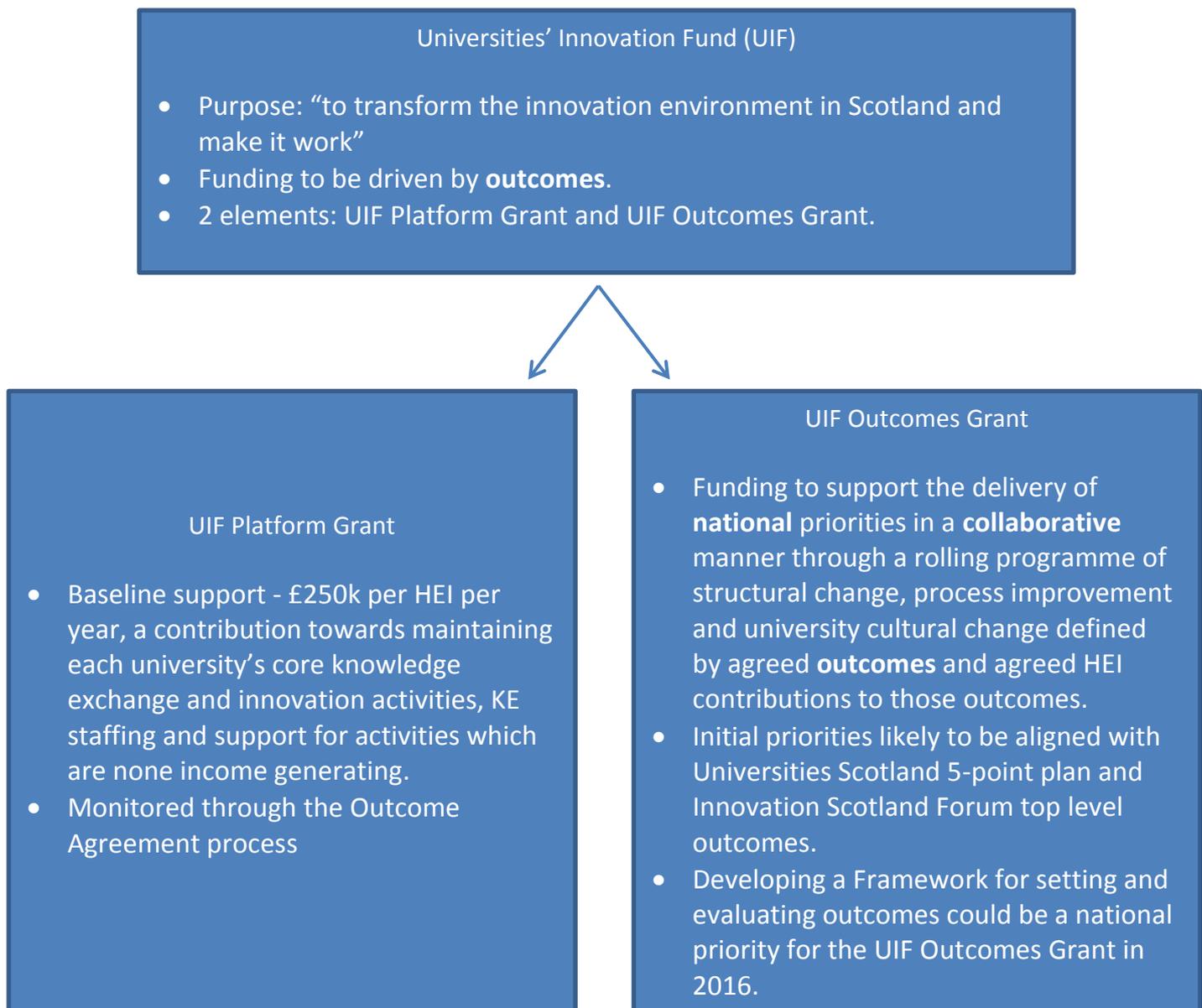


18. The UIF will have two elements as summarised in Diagram 1.

⁷ <http://www.gov.scot/Resource/0047/00472389.pdf>

⁸ www.cando.scot

Diagram 1: Universities' Innovation Fund



UIF Platform Grant

19. The first element of the UIF, the UIF Platform Grant, is proposed to be a baseline contribution towards maintaining each university's knowledge exchange and innovation activities. It is proposed that this funding contributes towards the cost of KE staffing, staff development, development and embedding of KE policies and procedures, maintenance of core activities and support of activities which are not income generating.
20. The Platform Grant would be monitored through the Outcome Agreement process, and SFC would look for evidence of progress against stated aims and ambitions.

21. An UIF Platform Grant of £250k per HEI per year is proposed.
22. The SFC contribution of £250k to the core staffing and activities will be supplemented by resource allocated by individual universities to knowledge exchange, commercialisation and innovation support activities. We think it is reasonable to expect that all but the smallest HEIs and SSIs will be able to match the SFC contribution, giving stable, predictable core funding for innovation support and knowledge exchange of £500k per annum in larger institutions.

Question

Q1 Views are sought on the Platform Grant proposals, in particular with regard to the level of support and institutions' ability to match this funding.

UIF Outcomes Grant

23. It is proposed that the second element of the UIF, the UIF Outcomes Grant, will be used to support the delivery of national priorities with universities working together wherever possible.
24. The sector, working with SFC and other partners, will identify and define the national priorities in a collaborative manner. Initially, we propose that priorities are drawn from activities already identified in the Universities Scotland 5-point Action Plan (see Annex A) and in the broader Innovation Scotland Forum Action Plan⁹ which is currently in development.
25. The distribution of the Grant will follow a process such as:
 - SFC convenes a sector wide workshop to agree a set of national priorities and outcomes.
 - *Consortia* of HEIs will form to deliver many, if not all, of the strategic priorities. The HEIs/consortia will interpret the national priorities into the specific actions. Innovative approaches to delivery will be encouraged.
 - The programme will be agreed by SFC following review by SFC RKEC and input from stakeholders such as the enterprise agencies, Government and Interface.
 - The decision making process for awarding Outcomes Grant funding to each HEI must be transparent and consistent and could be informed by the extent of the contribution each HEI demonstrates towards delivering the outcomes and demonstration of historical success in delivering Outcome Agreement goals for the Outcomes Grant.

⁹ http://www.sfc.ac.uk/web/FILES/InnovationScotlandForum/ISF_Papers_4_June_2015.pdf

- Final funding decisions would be made by SFC's Board as part of its annual Outcome Agreement cycle, advised by SFC RKEC.
26. Examples of possible Outcomes are shown at Annex B for illustration only, but are intended to indicate the form of the proposed process.
27. We propose, once the UIF is fully operational, the majority of the UIF will be applied to this agreed programme of Outcomes. For illustration, if the level of funding was maintained at £17M, with £250K per institution for the Platform Grant then we would have in the region of £12 million in the UIF Outcomes Grant.

Question

Q2 Views are sought on the Outcome Grant proposals especially whether by working together to identify and address national priorities the sector can drive a transformational change?

Question

Q3 Do you agree that identifying initial priorities from the Universities Scotland 5 point Action Plan and the broader Innovation Scotland Forum Action Plan is an appropriate starting point? SFC would welcome suggestions of other potential priorities.

Question

Q4 National UIF Outcomes workshop - Is this a suitable way to determine priorities? SFC would welcome suggestions of innovative approaches for this process.

Question

Q5 Is the balance between the size of Platform Grant and Outcomes Grant correct?

Implementation of the UIF

28. The SFC intends to implement the UIF from AY2016-17 subject to the outcome of the consultation and a final recommendation by the Council's Board. The proposed implementation stages are as follows.
29. SFC will allocate the UIF Platform Grant with agreed outcomes as described above, with effect from AY2016-17 at the level of £250K per HEI.
30. We will hold a pilot National UIF Outcomes workshop in early 2016 to establish nationally-shared priorities for the academic year 2016-17. Given the pace of change, the expectation is that these objectives will cover only two broad areas in this first year:

- The collaborative implementation of actions in the Universities Scotland “5 point plan” and related Innovation Scotland Forum Action Plan; and
 - The establishment, of a suitable assessment framework for the UIF Outcomes Grant. Recognising that it is a challenge to identify success and progress in the translation of research and expertise into economic and societal benefit as well as success and progress in transforming the culture and practice of knowledge exchange, SFC would invite institutions to work with the executive in developing a suitable framework.
31. SFC will allocate an introductory amount of UIF Outcomes Grant - £4 million is proposed – to support institutional contributions to delivery of the national priorities identified by the Workshop.
 32. SFC will allocate the remainder of the UIF budget available (around £8 million), pro-rata with individual HEIs’ allocations of KTG in AY2015-16.
 33. This transitional arrangement will allow identification of priorities to begin and early priorities to be addressed but will give a lead-in to full operation reflecting the need to refine operational procedures and establish monitoring mechanisms.

Question

Q6 Views on the proposed transitional arrangement are invited.

Monitoring and Evaluation

34. The monitoring of this grant at an institutional level will pass to the OA process, strongly supported by the Research and Innovation team 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; and
 - Progressively more challenge being accepted and met by the sector.
35. The framework for setting and evaluating outcomes will be developed in 2016 as a national outcome for the UIF Outcomes Grant in its initial integration, as described above.
36. We will continue to require accurate HEBCIS¹⁰ returns in order to provide feedback on some of the university-business interactions and will work with the sector to improve the consistency of the HEBCIS returns.

Equality Impact Assessment

¹⁰ Higher education-business and community interaction survey.
See <https://www.hesa.ac.uk/pr/3492-press-release-215> for further details and recent results

37. The SFC will undertake a full equalities impact assessment of proposals prior to finalisation of the policy. As part of your consultation response, you are encouraged to provide feedback on the possible impact that the proposed changes may have, both positive and negative.

Question

Q7 Comments on the equalities and diversity impact of the proposal are invited

Other comments

Q8 Any other comments on the proposals in this consultation document will be welcomed

Further information

38. For further information please contact: Dr Stuart Fancey, Assistant Director, Research & Innovation (Direct line: 0131 313 6559; email: sfancey@sfc.ac.uk) or Hazel McGraw, Policy Officer (Direct line: 0131 313 6657; email: hmcgraw@sfc.ac.uk).

Universities Scotland 5-point Action Plan Headings

1. Engaging in sustained dialogue with each of Scotland's priority economic sectors through Industry Leadership Groups to ensure barriers to effective partnership are systematically identified and tackled.
2. Harmonising and simplifying contract, project and partnership negotiations through the development and adoption of business-friendly template contracts and agreements.
3. Simplifying business access to university knowledge and supporting an informed understanding of the knowledge exchange process.
4. Raising awareness of the opportunities for business arising from university knowledge, including advocating the potential contribution to product and process innovation, in order to help stimulate the demand for innovation and problem solving from Scotland's company base.
5. Expanding our role in company formation through enhanced start up and spin out programmes which draw on the intellectual assets and skills within Scotland's universities.

Examples of potential Outcomes for UIF Outcomes Grant

1. An initial workshop including all sector and relevant stakeholders will be held to identify priority outcomes for the following year. Individual priority outcomes may persist for a number of years, consistent with multi-year planning of Outcome Agreements.
2. SFC envisages that a good starting point for identifying ambitious, transformational outcomes is the Universities Scotland 5-point action plan and the related Action Plan of Innovation Scotland. The university sector is engaged (with partners) in delivering actions from both already and the UIF will drive this work forward, increasing the pace of change and encouraging the development of a rolling programme of future outcomes in the area.
3. Potential examples are set out below. These are for illustration only. The workshop would examine longer term priorities and be informed by the updated status of the ISF and US action plans.
4. Defined deliverables will allow for the possibility of audit of the contribution a university is making to the agreed Outcomes.
5. Three examples, intended only for illustration, follow overleaf.

Outcome Example One

Stage 1

The national workshop identifies the following ISF top level outcome as a priority:

Significantly increased conversion of academic research and knowledge into business growth levels

Actions agreed to address this priority. A number of actions may be identified – one could imagine these may include reviewing and building on outputs from the first action point identified in the **US Five-Point Action Plan**:

Engaging in sustained dialogue with each of Scotland’s priority economic sectors through ILGs to ensure barriers to effective partnership are systematically identified and tackled

Stage 2

A programme of meetings with the ILGs is already underway led by Universities Scotland. Institutions develop plans to work collaboratively to take forward the recommendations from these meetings in a cohesive manner. While individual institutions, or Innovation Centres, may take leadership for specific ILGs’ activities, all institutions would be expected to engage where relevant.

Stage 3

Funding allocated to institutions based on their planned contribution to activities designed to deliver the agreed outcomes.

Stage 4

Deliverables at end of year one:

- Meetings with each ILG;
- Plan for engagement going forward; and
- Specific actions identified in collaboration with industry for example
 - workshops to support industry sectors to articulate their longer term collective challenges
 - workshops for selected academics to “pitch and tell” their technologies to companies drawn from ILGs.

Progress indicators:

Are largely going to depend on the specific actions identified but may include for example,

- Increased collaboration between industry and academia.
- Cross –cutting projects working with groups of businesses.

Outcome Example Two

Stage 1

The national workshop identifies the following ISF Top Level outcome as a priority:

Achieve a world leading Scottish Innovation system by optimising the University/Business interface

Actions agreed to address this priority could include point three of the **US Five-Point Action Plan**:

Simplifying business access to university knowledge and supporting an informed understanding of the knowledge exchange process

Stage 2

Institutions collaboratively develop a plan to take this action forward. One could envisage a number of specific actions, though the sector will be best placed to determine these, examples could include:

- Collaboratively developed and delivered staff training;
- Mapping of facilities/ expertise for commercial use to support the national platform being co-ordinated by Interface; and
- Increased staff mobility between business/ institutions (both ways).

Stage 3

Funding allocated to institutions based on their ambition to make a significant contribution to activities designed to deliver the agreed outcomes.

For example all institutions would require some resource to release staff time to contribute to a mapping exercise, to participate in training and/ or to undertake exchanges with industry however one might expect this to be greater for the larger institutions.

Stage 4

Examples of deliverables at end of year one:

- Training developed and delivered to all institutions.
- Facilities/expertise map developed and in place.
- Institutional/ business exchanges.

Progress indicators include increase in business/ institution interactions/quality of interactions.

Outcome Example Three

Stage 1

SFC recognise the difficulties in identifying suitable progress indicators towards top level outcomes and also the challenge of attributing the contribution the university sector can make to the achievement of the goals of Scotland's Economic Strategy.

We also recognise the wide-spread expertise within the sector in monitoring and evaluation which could lead SFC and the sector to agree an Outcome such as:

Develop and implement a monitoring framework to capture the progress that is being made in implementing the rolling programme of Objectives and develop and implement a monitoring framework to capture the value that is being contributed by the university sector to the goals of Scotland's Economic Strategy.

Clearly, this second framework would need to be more sophisticated than the activity and income metrics which we have collected as KTG metrics and which have been found by RKEC to be inadequate to attribute the economic or societal contribution of the universities KE activities.

Stage 2

Institutions collaboratively develop a plan to take this action forward. Actions to deliver this may include: identifying international best practice, drawing on assessment theory from multiple disciplines, a joint development activity with enterprise agencies and government.

Stage 3

Funding allocated to institutions based on their ambition to make a significant contribution to activities designed to deliver the agreed outcomes.

Stage 4

Deliverables could include frameworks and protocols (assisted by early experience) to strengthen monitoring of outcomes by Outcome Agreement managers in SFC and an indicator that could be used by Government to show the contribution of Knowledge Exchange to the economy and society¹¹.

¹¹ <http://www.gov.scot/About/Performance/scotPerforms>

Consultation response form

Full name:	
Organisation (if applicable)	
Address (including postcode)	
Email address	
Telephone number	
I am replying as an individual I am replying on behalf of my organisation <i>Please delete as appropriate</i>	
I wish my response to be treated as confidential subject to the provisions of the Freedom of Information (Scotland) Act 2002	

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Q5 Is the balance between the size of Platform Grant and Outcomes Grant correct?

Q6 *Views on the proposed transitional arrangement are invited.*

Q7 *Comments on the equalities and diversity impact of the proposal are invited*

Q8 *Any other comments on the proposals in this consultation document will be welcomed*