

BiGGAR Economics

Evaluation of the First Phase of the Scottish
Funding Council Innovation Voucher Scheme

A final report to
Scottish Funding Council

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BiGGAR Economics

Midlothian Innovation Centre

Pentlandsfield

Roslin, Midlothian

EH25 9RE

0131 440 9032

info@biggareconomics.co.uk

www.biggareconomics.co.uk

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EXECUTIVE SUMMARY

The Scottish Funding Council for Further and Higher Education (SFC) established an Innovation Voucher Scheme in February 2009. The Scheme, modelled on similar ones across the UK and Europe, aimed to establish initial projects between Scotland's higher education institutions (HEIs) and small and medium sized enterprises (SMEs). The Scheme was designed to focus on registered Scottish companies across the breadth of the economy, including those active in service delivery and the third sector.

The Scheme offered funding of up to £5,000 but no more in any individual case than 50% of the total value of the engagement. Partner organisations were allowed to cite "in kind" contributions to meet their contribution. Funding was channelled to the HEI by the SFC.

This evaluation was carried out in February and March 2010 and considered the first phase of the Scheme which ran from February to July 2009 and supported 27 individual projects. The evaluation examined the applications and final reports for the completed projects and sought the views of the SMEs, academics and HEI commercialisation staff on the purpose, design and operation of the scheme.

The Scheme is meeting the aims set for it.

From the SME perspective, the Scheme is supporting new, formal R&D and consultancy relationships. The projects established would either have not otherwise happened or would have happened at a much slower pace or smaller scale. The projects are at least meeting the expectations of companies and are enhancing the standing of the academic partners with the company. The SMEs find the project application process straightforward and appropriate to the scale of activity. SMEs prefer funding to be channelled through their academic partner, thereby avoiding additional administration.

Academics and commercialisation staff were also supportive of the Scheme. It was bringing some new academics to work with SMEs and establishing new R&D and consultancy relationships with companies. Again, the straightforward application process was broadly welcomed. A range of follow-on activity with companies was reported including Knowledge Transfer Partnerships and joint PhDs. Academics also reported good additional benefits from their involvement in a project to their teaching and research activities.

For SMEs, too, there is evidence of both financial and non-quantifiable benefits from the supported projects. SMEs reported allied benefits in the context of marketing and, whilst there has been a limited time since project completion to assess the formal economic impact, this is projected as being very strong.

Two issues for the future development of the Scheme were identified:

- whilst the Scheme has been designed to be broad in its application, the creation of a number of case studies and additional guidance for applicants would help to reinforce this. A number of HEIs with particular strengths in the creative industries and/or the third sector would particularly welcome this;
- there is a strong case for further expansion of the Scheme. The views of HEIs in this evaluation, coupled with the development of similar schemes in the UK, suggest that a 10 fold expansion to 200 vouchers annually should be considered.

1 INTRODUCTION

This document is a report from BiGGAR Economics Limited to the Scottish Funding Council (SFC) on an evaluation of the Innovation Voucher Scheme.

This report is structured as follows:

- this section summarises the study objectives and the work programme on which the evaluation findings are based;
- Section 2 describes the rationale and objectives of the Innovation Voucher Scheme, the main features of the scheme and the activity that it has supported;
- Section 3 provides feedback from businesses on their experience of the Scheme;
- Section 4 provides feedback from academic partners on their experience of the Scheme;
- Section 5 discusses the perspective of commercialisation offices;
- Section 6 provides context to the findings by reflecting on other, similar schemes;
- Section 7 highlights the benefits to businesses, higher education institutions (HEIs) and wider benefits;
- Section 8 contains findings on the follow-on activity stimulated by the Scheme;
- Section 9 summarises the analysis of quantifiable economic impact; and
- Section 10 contains the evaluation conclusions and recommendations.

1.1 Study Objectives

This report will provide a robust assessment of the overall impact of the first phase of the SFC Innovation Voucher Scheme and highlight important lessons for the focus and operation of future rounds by carefully considering each of the individual awards to date.

Most importantly this report will provide recommendations, supported by robust evidence that will enable SFC to develop the scheme in a way that will maximise future benefits to SMEs, HEIs and the wider Scottish economy.

In common with the majority of evaluation reports conducted this report will:

- provide practical recommendations, which the SFC would be in a position to take forward. These should reflect existing circumstances rather than an ideal situation; and
- be clear, concise and readable. Avoiding the use of jargon and being understandable to a reader from any background.

1.2 Evaluation Work Programme

The main elements of the evaluation work programme included:

- a desk-based review of all relevant documents, including:
 - papers submitted during the design and approval of the project by SFC;
 - application and final report documentation for each of the 27 awards, enabling us to familiarise ourselves with the objectives of each award before speaking to the academic and business contacts;
- telephone surveys of beneficiaries of the Scheme, which included one or both of the business and academic partners from 25 of the 27 projects supported. The surveys covered:
 - 21 business beneficiaries;
 - 20 academic beneficiaries;
 - 9 commercialisation office contacts; and
- analysis of outputs from the desk research and surveys of beneficiaries.

2 INNOVATION VOUCHER SCHEME

This section sets out the rationale and objectives for the Scheme, a description of the scheme and the activities that it has supported.

2.1 Rationale and Objectives

The primary objective of the Innovation Vouchers Scheme is to encourage knowledge transfer between the higher education sector and small and medium sized enterprises (SMEs). The rationale for the Scheme is to directly address the obstacle to initial collaboration between SMEs and HEIs through a small amount of targeted funding, i.e. the market failure is an inability or unwillingness of businesses to pay for academic support from HEIs.

There are many existing national, regional and local programmes that aim to increase the interaction between the business base and the academic research base and so increase the knowledge transfer between the two and generate economic benefits as a result of the commercial exploitation of research outputs. Most of these programmes could be described as “technology push” interventions in that they encourage HEIs to commercialise research outputs and to transfer their knowledge to businesses.

SFC’s Innovation Voucher Scheme is different in nature and could be described as “market pull” since it aims to stimulate business demand for HEI research outputs, experience and expertise.

The Scheme does this by providing vouchers which help businesses to fund a joint project with an HEI to address a business need or opportunity. The Scheme builds on the experience of other voucher based schemes that have been implemented in the Netherlands, Ireland and in several English regions (including the West Midlands and the North West).

The aims of the Scheme were to:

- stimulate new work between Scotland’s HEIs and small and medium sized enterprises (SMEs);
- that this new work might offer the foundation for the development of longer, more complex relationships between the HEI and the SME;
- reflect the breadth of the SFC’s knowledge exchange policy;
- be complementary to existing SEEKIT and Scottish Enterprise schemes which are exploring new methods of fostering innovation; and
- offer a flow through to other schemes that aim to sustain more mature HEI-business relations such as SMART and KTPs.

The principles to which the Scheme was designed to adhere included:

- targeting of SME engagement, including social enterprises;
- supporting interactions with organisations that have not, to date, worked in this context with HEIs;
- develop new products and processes that will benefit the business, the institution and the Scottish economy;

- ensuring that the voucher will cover only part of the costs of a project, thereby ensuring a business partner's commitment; and
- prompt decisions on funding and a minimal administrative burden on applicants.

2.2 Description of Scheme

2.2.1 Scale and Scope of Scheme

The Scheme was intended to support first interactions between HEIs and Scottish SMEs, i.e. the activity would have to be the first knowledge exchange (contractual) activity between the organisations.

The Scheme offered vouchers of up to £5,000 but no more in any individual case than 50% of the total value of the engagement. Partner organisations were allowed to cite "in kind" contributions to meet their contribution. These arrangements were checked for the VAT implications for participating organisations.

Learning from the arrangements applied in the similar voucher programmes in the West Midlands and Ireland, it was decided that the voucher could not be used to cover the costs of:

- standard training courses;
- software purchases;
- aid that would promote/ subsidise the cost of exports;
- internships for students of knowledge institutions;
- design and production of advertising materials; and
- sales activities.

The evaluation covers the initial pilot phase of the Scheme which operated in the period between February and July 2009 and included 27 vouchers in total. In that pilot phase a small number of vouchers were allocated to each institution (one voucher in 2008/09 and three vouchers in 2009/10 to each). Should these not be used within 6 months then it was decided that they be redistributed to institutions with unmet demand.

2.2.2 Scheme & Project Delivery

The following stakeholders were involved in the delivery of the Scheme and / or individual projects:

- SFC – provided funding and overall Scheme direction;
- Interface- the Knowledge connection for business – is a service which helps business access and build relationships with knowledge and facilities within Scottish Universities and Research Institutes. Interface helped match business to academic partners where the business did not have an existing academic partner and managed the initial application process, monitoring of project progress and end of project report submissions;
- commercialisation offices – located within HEIs helped facilitate business and academic interaction and were involved throughout the delivery of projects;

- academic partners – provided the input to the project on behalf of the HEIs; and
- business partners.

Given that this was a pilot Scheme, with one voucher allocated to each HEI in the initial round, it was not marketed directly to businesses. Rather communication was made to HEI Principals from SFC and to commercialisation offices from Interface.

2.2.3 Application Process

The Scheme received initial applications from HEI-business partnerships through two routes:

- those identified through the work of Interface with HEIs; and
- those arising from HEIs' own work.

Interface acted as the conduit for applications to the Scheme. The application process was kept as simple as possible, consisting of a two page proforma, accessible on-line, covering:

- confirmation of eligibility criteria;
- value of grant requested, SME contribution (financial or in kind), details of any intellectual property or confidentiality agreement between partners;
- details of the proposed project and how the award was to be used;
- skills and expertise required from the SME and academic partner to undertake the collaboration; and
- duration of the project including, proposed start and end date.

After Interface had checked applications to ensure that all information had been provided and that the Scheme rules had been met (including the eligibility requirements), applications were considered by the SFC executive. SFC then took a decision on funding and informed the HEI applicants of the outcome. The aim of the scheme was to provide applicants with a rapid response time of 2-3 weeks.

2.2.4 Project Completion

SFC provided the funding directly to the HEI involved and the HEI invoiced the partner organisation for any balance of the agreed contract total. As a condition of funding SFC required that an end of project report was completed. Like the application form, the template for the report was designed to keep the administrative burden of the scheme proportionate to the scale of funding and covered the following issues:

- whether the objectives of the original project were met;
- how the findings from the project would be taken forward by both or either the HEI and business;
- details of how the award was spent;

- suggestions regarding lessons for the future delivery of the Scheme or increasing the level of satisfaction with the Scheme; and
- the business's willingness to participate in a case study.

2.2.5 Summary of Scheme Delivery Process

The following table summarises the Scheme delivery process and the role of each stakeholder.

Table 2.1 – Summary of Delivery Process

Procedure	Stakeholder Action
Application worked up between academic, company contact and commercialisation contact. This may have been through an introduction by Interface.	A, CC, UCC
Due diligence undertaken by academic institution on suitability of company, follow on activity, etc.	A, UCC
Application submitted to info@interface-online.org.uk	UCC
Due diligence + questions, checks on eligibility of company, logged on spreadsheet, etc	IF
Questions to academic group	IF, UCC, A,
Revised information submitted	UCC
Additional information checked	IF
Sent to SFC for consideration	IF, SFC
Funding email from SFC to academic + commercialisation contact	SFC
Tracking + monitoring of project start and progress with academic + commercialisation contact. Requests for final report.	IF, A, CC, UCC
Payment	SFC
Final report submitted to Interface, checked by Interface and revised report submitted if necessary.	A, CC, UCC, IF
Final report sent to SFC for records.	IF

Source: SFC & Definitions - A – Academic, UCC - University commercialisation contract, IF – Interface, SFC - Scottish Funding Council

2.3 Inputs & Resources

2.3.1 Financial Inputs

Funding for this scheme came from SFC's budget for the Strategic Priority Investment in Research and Innovation Translation (SPIRIT).

The scheme offered up to £5,000 but no more in any individual case than 50% of the total value of the engagement. Partner organisations were able to cite "in kind" contributions as well as cash contributions to match the funding from SFC.

The funding committed is summarised in the table below. In total over the 27 projects SFC committed £110,050 in funding and the 30 companies involved contributed a combined total of £119,271 either in cash, in-kind staff contribution or material contribution.

The inputs to the scheme, as quantified by the applications and reports for the 27 projects supported, therefore totalled **£229,321**.

Table 2.2 – Summary of Financial Inputs

No. Of Applications	Funding Requested	Cash Contribution	In kind Staff Contribution	In kind Material Contribution	Total Company Contribution
First Round Initial Voucher Allocation					
19	£82,050	£18,645	£64,326	£500	£83,471
Remaining Lottery Allocated Funds					
8	£28,000	£2,600	£32,900	£300	£35,800
27	£110,050	£21,245	£97,226	£800	£119,271

Source; SFC – SME Assistance Submission Statistics

2.4 Activities

The following table summarises the projects that were supported.

Table 2.3 – Summary of the Activities Supported

Business(es)	HEI Partner	Nature of Voucher & Activities Undertaken
Air Bag Stopper (Holdings) Ltd	University of Aberdeen	Product testing & data collection to measure performance and inform future design.
Electric Top Hat / Lucky Frame Ltd	University of Abertay, Dundee	Product development and creation of a prototype game compatible with iphone / itouch technology.
IRT Surveys Ltd / Play 2 Improve Ltd	University of Abertay, Dundee	Development of a prototype to test and demonstrate the potential deployment of the product in the marketplace.
John White & Son (Weighing Machines) Ltd	University of Dundee	Market research to identify opportunities for the companies' new product range of solar lighting kits in East Africa as well as provision of market intelligence and penetration strategies.
Emotional Sciences Ltd	University of Edinburgh	Developed training course to train people and companies to use emotional intelligence which may form part of the UoE MBA course.
Red Kite Animations Ltd	University of Edinburgh	Use of SpeckTrak platform, developed within the Edinburgh School of Informatics, which was used to develop build a body tracking application for the development of animations.
Sunamp Ltd	University of Edinburgh	Develop process to manufacture and patent insulation material.
Sustainable Opportunity Solutions Ltd	University of Edinburgh	Exchange of knowledge and technical expertise to facilitate the development of current and future products such as sustainable development support systems to tackle sustainable travel challenges facing global businesses.
Tradstocks Ltd	University of Edinburgh	Testing and identification of a source of staining which has appeared on Cullalo stone.

Business(es)	HEI Partner	Nature of Voucher & Activities Undertaken
Publishing Scotland	Edinburgh Napier University	Development and gathering of evidence to inform future action.
Rubix Solutions Ltd	Glasgow Caledonian University	Product development, concept design work in order to derive greater aesthetic benefit and lower unit costs.
Haggis n Neeps	Glasgow Caledonian University	Development of a low carbon cooking system through engaging specialist engineering advice.
Lazy Day Foods Limited	Glasgow Caledonian University	Creation of two new packaging designs, this included development of corporate identity, marketing and using sustainable materials during manufacture.
Annandale Distillery Company Limited	University of Glasgow	Creation of database to track emigrants and their descendants from Annan.
Iona Crawford LTD.	Glasgow School of Art	Product development and research of product materials.
Scottish Bio-Energy Ltd	Heriot-Watt University	Examine feasibility of capturing fermented CO2 and grow / produce a 'useful' end product of economic value.
Street Soccer (Scotland) Ltd / Pro Poor Sports Ltd.	Queen Margaret University	Development and testing of a successful evaluation tool to inform the future development and delivery of services.
The Centre of Health and Wellbeing Company	Queen Margaret University	Production of a business plan and knowledge transfer to the consultant of how social enterprises function.
Ecosse Subsea Systems Ltd	Robert Gordon University	Testing the feasibility of engineering and developing an existing product using first principles and theory.
Red Note Ensemble Ltd	Royal Scottish Academy of Music and Drama	Creation and testing the feasibility of a new product, to foster innovative practices build a relationship between Red Note Ensemble and RSAMD and engage new audiences with experimental music.
Ballathie Estates Ltd	Scottish Agricultural College	Development of a feasibility study and business plan to apply for investment and capital support.
Open Door Training	University of Stirling	Work with Dundee Management School to adopt best practice techniques for creating social enterprises and produce a feasibility study.
Viking Fish Farms Ltd	University of Stirling	Develop better production techniques for producing marine fish.
Highland Colour Coaters Ltd.	University of Strathclyde	Redesign and strengthen production processes to enhance capacity including a review of; existing resources demand management processes and future investment required.

Business(es)	HEI Partner	Nature of Voucher & Activities Undertaken
Orkney Ferries Ltd	UHI Millennium Institute	Evaluate the use of ferries as a cultural space and produce a DVD of Orkneys culture for ferry travellers.
Piezo Composite Transducers Ltd	University of the West of Scotland	Develop better production processes to improve performance and enhance repeatability extending the product range.
Total Waste Management Alliance Ltd	University of the West of Scotland	Laboratory and practical experiments as well as literary review to develop composite additive and synthetic soil formulation.

Source; SFC – SME Assistance Submission Statistics

The table above shows the type of activity undertaken which included:

- new or existing product R&D – 11 projects out of the 27;
- new or existing process R&D – 9 projects; and
- studies and research undertaken – 12 projects.

3 BUSINESS FEEDBACK

Feedback was received from 21 business partners, many of which were micro businesses and one of which was a charity. These organisations were located across Scotland from Dumfries and Galloway to the Orkney Islands.

3.1 Awareness and Motivations

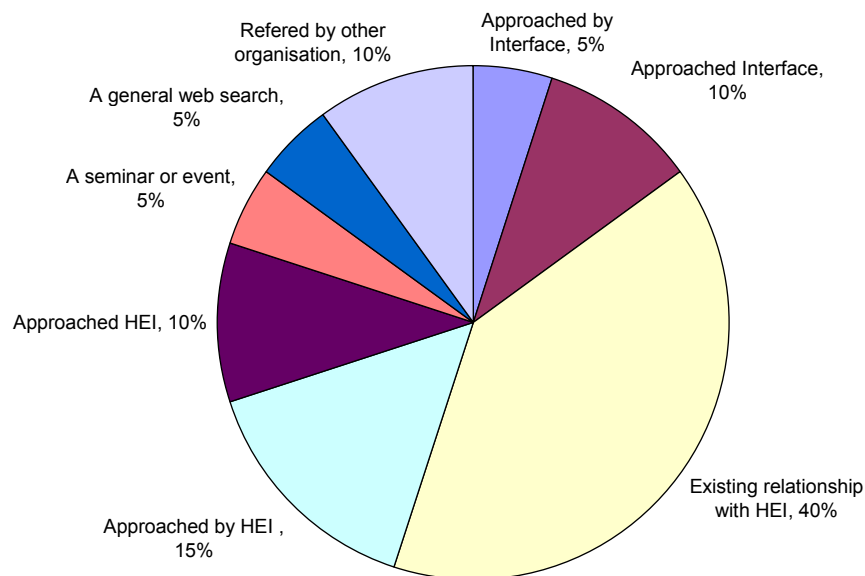
The Scheme aimed to stimulate and support first formal collaborations between HEIs and SMEs. Feedback was sought from businesses to explore their awareness of the Scheme and their motivations for participating in a project.

Although many businesses reported that they had a ‘close relationship’ with the higher education sector, there were no examples of previous research interactions between the supported business and HEI. Existing ‘relationships’ were usually centred on previous discussions on the potential for collaboration, which had not been realised.

40% of businesses became aware of the Innovation Vouchers Scheme as the result of an existing relationship with their HEI partner.

Most businesses (65%) that participated in the Innovation Vouchers Scheme were told about the Scheme by their HEI partner (including the 40% who has an existing relationship with the HEI), while a further 15% were told about the Scheme by Interface.

Figure 3.1- How did you first become aware of the Innovation Vouchers Scheme?

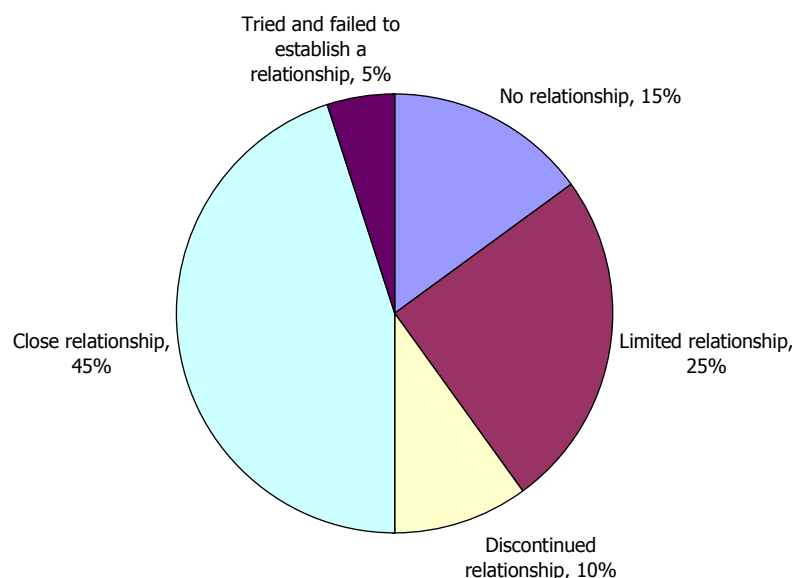


55% of businesses did not have a ‘close relationship’ with the higher education sector prior to the Innovation Vouchers Scheme.

Prior to their involvement in the Innovation Vouchers Scheme, 45% of businesses already had a close relationship with the higher education sector outwith research and R&D, 25% had a limited overall relationship and 15% had no relationship. A further 10% had previous experience of the higher education sector but had discontinued the relationship while one (5%) had made unsuccessful attempts to establish a relationship.

A total of 60% of businesses said they had never participated in a joint project with a HEI before.

Figure 3.2 – How would you describe your relationship with the higher education sector before the Innovation Vouchers Scheme?



The most important reason cited by businesses as a barrier for engagement with the higher education sector was lack of funds.

Of those who did not already have a close relationship with the higher education sector, 38% cited lack of funds as a barrier, 25% said they did not know how to go about initiating a relationship, 25% said that they felt the higher education sector had little interest in working with them and 13% said that it would be too time consuming.

None of the businesses claimed that they felt that working with the higher education sector would have no value for their business, implying that the potential value of collaboration with HEIs is recognised by businesses.

3.2 Application Process

Most of the businesses that participated in the survey had at least some involvement in the application process with 48% saying that effort was split about 50:50 with their academic partners, 29% saying that they had a minimal involvement and 24% saying that they were not involved at all (other than to sign off the application form).

87% of businesses found the application process either 'easy' or 'very easy'.

Overall, the application process was regarded as simple with 29% finding the process 'very easy', 58% finding it 'quite easy' and only 12% finding it 'quite difficult'. None of the businesses found the application process 'very difficult' which is consistent with the aim of making the process proportionate with the level of support provided.

The vast majority (80%) of businesses had no involvement with Interface during the course of the project although many were aware of the organisation. Of those

who did have some involvement with Interface, 75% found the assistance provided 'very helpful' and 25% found it 'helpful'.

In general, the application process was regarded as very straightforward by the vast majority of respondents and several people commented favourably on the simplicity of the application process and the lack of bureaucracy involved. Several respondents were also impressed by the speed of the decision making process.

One of the main differences between the SFC Innovation Voucher Scheme and comparable programmes elsewhere in the UK is that funding goes directly to the HEI partner rather than to the SME. When asked about their views on this the balance of opinion was broadly in favour of the status quo with only 25% of respondents suggesting that it would be better if funding came directly to the businesses.

60% of businesses were in favour of funding going directly to the HEI partner.

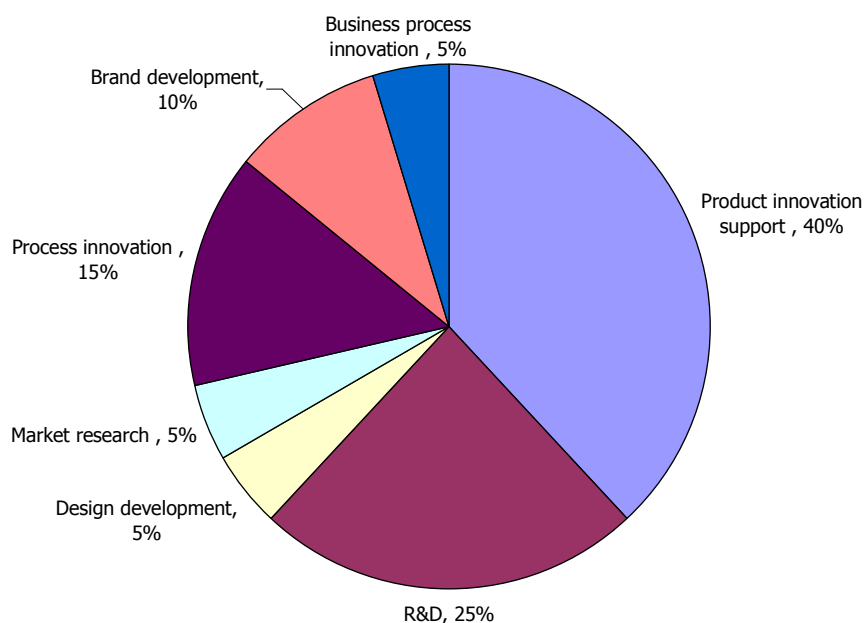
A common reason given by those who favoured the current arrangement related to the size and experience of the enterprises supported by the Scheme. Many of the enterprises supported by the Scheme were very small start-up companies with limited administrative capacity and little experience of managing R&D funding. For this reason, several of those who responded to the survey welcomed the fact that funding had gone directly to their academic partner.

Another reason cited by some respondents (and several HEI respondents) was the possibility that if funding was to go directly to the businesses there was a risk that it could get lost in the company's cash flow, creating a risk that the HEI may not be paid.

3.3 Services Received

The most common support (provided to 40% businesses) was help to develop or improve a specific product. A further 25% received assistance with R&D, 15% received assistance with process innovation, 10% were helped with brand development and a further 5% were helped either to address a specific design problem, undertake market research or helped to solve an internal business process issue.

Figure 3.3 – Services received by businesses



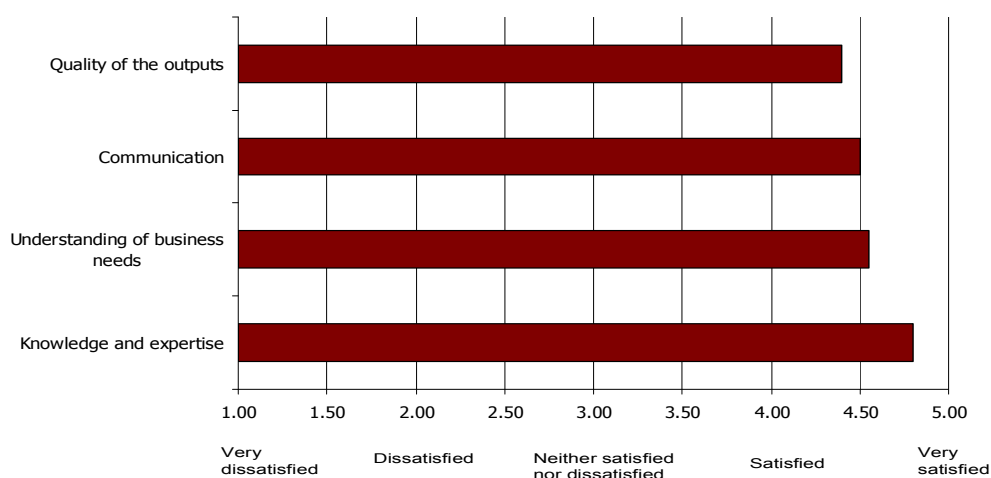
55% of businesses would not otherwise have undertaken the project.

Of those businesses which responded to the survey, 55% said that if they had not received the innovation voucher funding, they would not have undertaken the project. Of those who said they might have undertaken a similar project, only 5% said that they would definitely have gone ahead in exactly the same way. The remaining 40% said that they would either have gone ahead at a later date and/or at a reduced scale with 25% saying that they felt the outputs they would have achieved without the Innovation Voucher funding would have been of a lower quality.

Of those who said they would definitely or might have gone ahead with the project even without the innovation voucher funding, 50% said they would have undertaken the activity in-house using existing staff and resources. A further 30% would have paid an external consultant or contractor and 20% said they would have paid a HEI to undertake the work.

Respondents were asked to rank their satisfaction with various aspects of the service received on a scale of 1 – very dissatisfied to 5 – very satisfied. Satisfaction with the services received was generally high with each of four different aspects of service being ranked at 4.4 or above.

Figure 3.4 - How satisfied were you with the following aspects of the service you received from the HEI you worked with?



25% of businesses made a financial contribution to their project.

The majority (75%) of businesses made an in-kind contribution of time and other resources to the project they were involved with rather than a cash contribution.

However, 79% of respondents said that, based on their experience, they would consider making a contribution to a similar project in the future. Of those who said they might be willing to make a cash contribution, most said they would be willing to consider a contribution of around 50%.

3.4 Perceptions about Working with Higher Education

35% of businesses said that the project they were involved with exceeded their expectations.

All of the businesses said that the project they were involved with had either met (65%) or exceeded (35%) their expectations. Of those who's expectations had been exceeded, 15% said that the project was a little more useful than they had expected and 20% said that the project was a lot more useful than they had expected.

When asked how involvement in the Innovation Vouchers Scheme had affected their perception of the higher education sector, 30% of those asked said they felt much more positive about the benefits, 40% said they were a little more positive and 30% said that their views had not changed. None of the businesses that their perceptions about working with the higher education sector were worse as a result of the Scheme.

In order to test how and to what extent the Innovation Vouchers Scheme influenced businesses perception of working with the higher education sector, respondents were asked how strongly they agreed with a series of statements and how strongly they would have agreed with each of the statements before they became involved in the project.

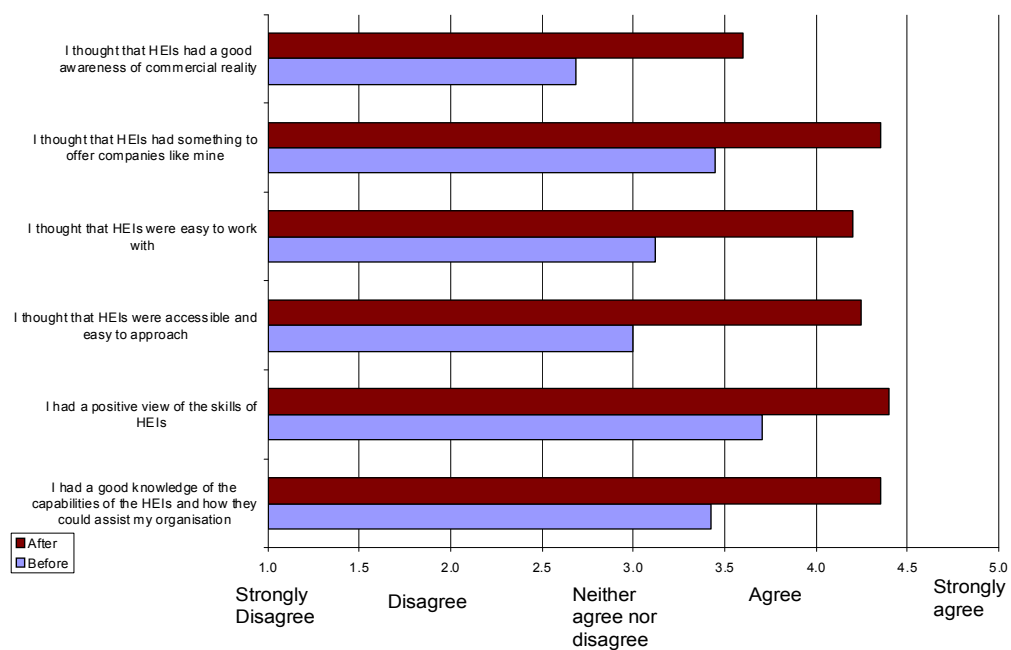
Respondents were asked to use the scale of strongly agree, agree, neither agree nor disagree, disagree or strongly disagree. In order to analyse the results, each response was assigned a value ranging from 5 for strongly agree to 1 for strongly

disagree, thus the maximum average score for each statement would be 5 and the minimum average score would be 1.

Before the Innovation Vouchers Scheme, respondents were in general fairly ambivalent in their attitudes toward collaboration with the higher education sector. On average, they tended to have a negative view of HEIs awareness of commercial reality, were neutral on their approachability and were only slightly positive as regards how easy it might be to work with a HEI. While businesses generally had a positive view of the skills of HEIs and what they could offer to businesses the general consensus prior to the Innovation Vouchers Scheme was fairly unenthusiastic.

There is evidence that participation in the Innovation Vouchers Scheme significantly enhanced businesses perception of the higher education sector across a range of areas. On average, respondents were more inclined to agree with each of the statements after the project than they were before with the average response to each statement increasing by between 0.7 and 1.3.

Figure 3.5 - Change in perceptions about working with HEIs as a result of Innovation Vouchers Scheme



95% of respondents believed that the Innovation Vouchers Scheme had succeeded in promoting knowledge transfer between HEIs and businesses

When asked about what they had learned from the project, 70% of respondents said that they had learned a lot, 25% said they had learned a little and only 5% said that they had learned nothing.

95% of businesses said they would definitely recommend the Innovation Vouchers Scheme to a friend or colleague in another SME.

A further 5% said that they would recommend the Scheme with reservations and no respondents said that they would not recommend the Scheme.

4 ACADEMIC PARTNERS FEEDBACK

Feedback was received from 20 HEIs across the country covering the variety of types of HEIs that exist in Scotland.

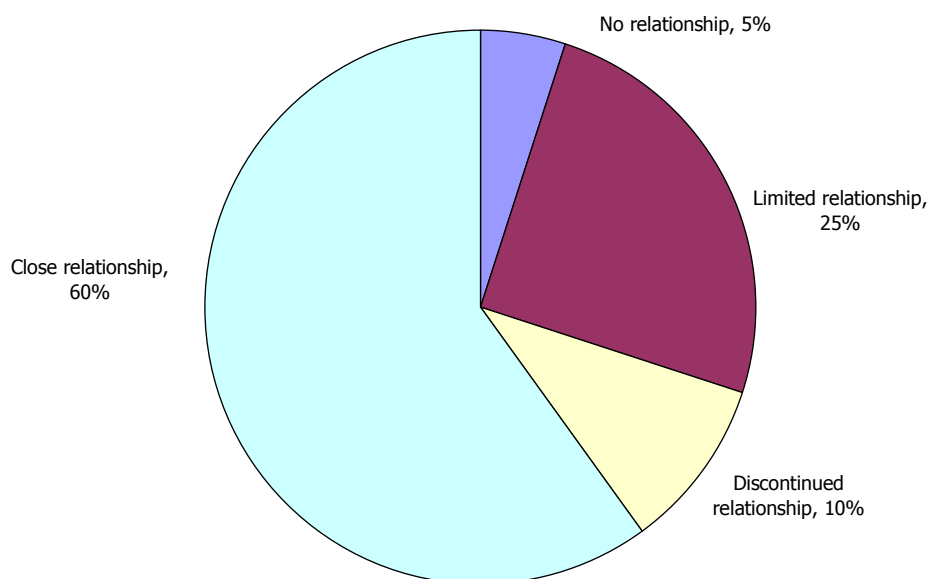
4.1 Awareness and Motivations

The vast majority (70%) of academic partners first became aware of the Innovation Vouchers Scheme through their internal commercialisation office. A further 15% found out about the Scheme through Interface, 10% found out about it directly from the SFC and one (5%) learned about the Scheme from a potential SME partner.

Before the Scheme, most (60%) academic partners felt that they had a close relationship with businesses¹, 25% felt that they had a limited relationship and 10% had previously had a relationship which had been discontinued. Only one (5%) said that they had no previous relationship with businesses.

85% of the academic partners who participated in the Innovation Vouchers Scheme had previously undertaken a joint project with a SME.

Figure 4.1 - Relationship with businesses prior to the Innovation Vouchers Scheme.



Of those who did not already have a close relationship with businesses the reasons cited were broadly similar to those given by businesses, 78% believed that businesses lack of funds were the main barrier, 11% said that the main barrier was lack of interest from businesses and 11% said that it would be too time consuming.

¹ As with the business survey, many of the academics reported a close relationship with businesses. However, none had previously undertaken a collaborative research project with the business supported by the Scheme. Where there was an existing 'relationship' this was as a result of a series of previous discussions on the potential for collaboration, which had not been realised.

4.2 Application Process

In most cases, the application process was led either directly by the academic involved in the project or by their commercialisation office. In total 60% of respondents said that they had completed most of the application themselves, 25% said that effort was split about 50:50 with their SME partners, 10% said that they had a minimal involvement and 5% said that they were not involved at all.

100% of HEIs found the application process either 'easy' or 'very easy'.

Overall, the application process was regarded as simple and straightforward with 58% finding the process 'very easy' and 42% finding it 'quite easy'. None of the HEIs had any difficulty with the application process, consistent with the aim of making the process proportionate with the level of support provided.

Most of the HEIs (68%) spoken to had some involvement with Interface during the course of the project and awareness of the organisation was high even among those academics who had not had any involvement with them during the course of this project. Of those who had some involvement with Interface during the course of the project, impressions of the support received were overwhelmingly positive with 86% of respondents saying that the assistance provided 'very helpful', 7% finding it 'helpful' and 7% finding it neither helpful nor unhelpful.

In general the impression of the application process among HEI partners was very positive, particularly as regards the speed of the decision making process and the simplicity of the system. Respondents also commented on the appropriateness of the application process relative to the value of the awards with the general consensus being that the level of effort required was proportionate to the size of the award received. The overall view of the application process among academic partners was however best summed up by one respondent who described the process as *'slick, quick and very efficient!'*

When asked, the majority of respondents could not think of any way in which the application process could be improved.

A small number of respondents did however suggest that it would be helpful if the application form contained more guidance on the type of information required perhaps by including examples of the type of information expected on the form.

Another potential improvement suggested was the provision of more detailed information about the type of organisations eligible for support on the application form.

4.3 Comparisons with Other Funding Programmes

The academic partners who participated in the survey were generally in favour of funding being provided directly to HEIs rather than to businesses. The reasons given by most respondents related either to the risk of funds being diverted into company cash flow if given directly to businesses or to the size of the enterprises involved.

Another reason cited by academic partners in support of the model whereby funding is provided directly to the HEI rather than the SME related to the small size and limited administrative capacity of some of the enterprises involved. In several of the projects supported, the SME involved was a very young micro business and there was a feeling among the academic partners that such businesses were unlikely to have the administrative apparatus in place to manage

research funding and transfer payments. This was a view confirmed by some of the businesses consulted.

When asked if they could identify any advantages of the SFC Innovation Vouchers funding compared to other sources of funding they had experience of most respondents cited the application process with 50% mentioning the ease of the process and 40% mentioning its speed. Several respondents also commented that the Scheme was considerably simpler and less bureaucratic than other funding programmes with a relatively quick turn around time.

Around 20% of respondents also commented on the range of projects supported by the SFC Innovation Vouchers as compared to other sources of funding. These respondents particularly welcomed the flexibility of the Scheme and the fact that funding could be used to support projects that did not have traditional technology transfer objectives.

All respondents identified at least one advantage of the Scheme compared to other sources of funding but only 50% could identify a disadvantage.

When asked about disadvantages of the Scheme, 50% of respondents could not think of any. Of those who could identify a disadvantage, around half mentioned some aspect of the timing (timing of awards or difficulty in meeting dead-lines) and around half mentioned the size of the awards. One respondent also mentioned the fact that the Scheme was only open to Scottish registered companies.

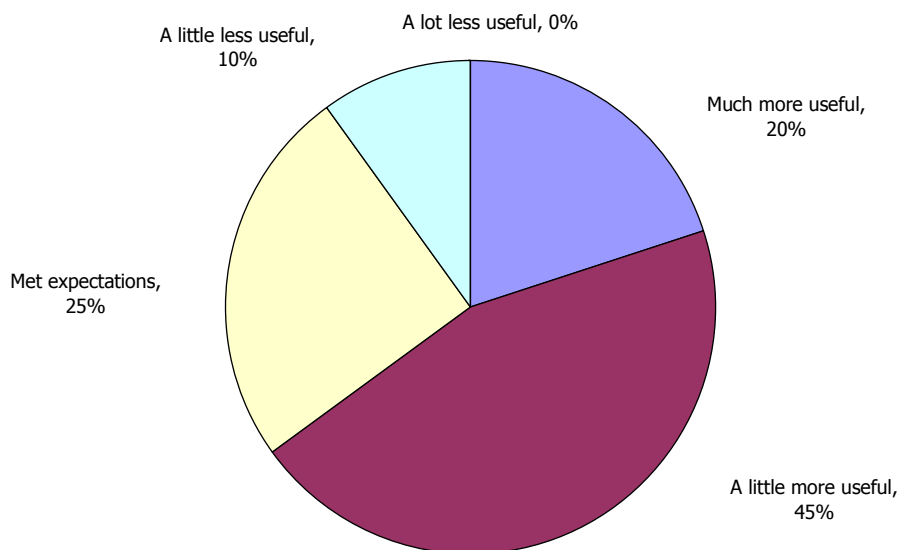
All funding provided under the Innovation Voucher Scheme was matched either in cash or in kind by the company supported. In practice, 13 of the 27 companies supported made a cash contribution. The general consensus among the academic partners who took part in the survey was that a cash contribution from the company involved was not particularly important and could have been a deterrent for some companies if it had been a requirement. Several respondents also suggested that their business partners had actually put in so much time and effort into the project that their in-kind support may have been more valuable than if they had made a cash contribution. Given that an in-kind contribution from a small business will usually involve time commitments from senior management, it is probably a better guide to the commitment than a willingness to make a cash contribution.

4.4 Expectations and Perceptions

72% of academics said that the project they were involved with would not have happened without the Innovation Voucher funding.

The remaining 28% felt that the project might have gone ahead but that it would either have been at a later date, on a reduced scale or with poorer outputs. Of these respondents, 25% said that they might have tried to undertake the project using existing departmental budgets and resources, 38% said they might have applied to another source of funding and 38% said they would have considered charging the commercial partner a fee.

Figure 4.2 - To what extent has this project met your expectations?



90% of academics said that the project they were involved with met or exceeded their expectations.

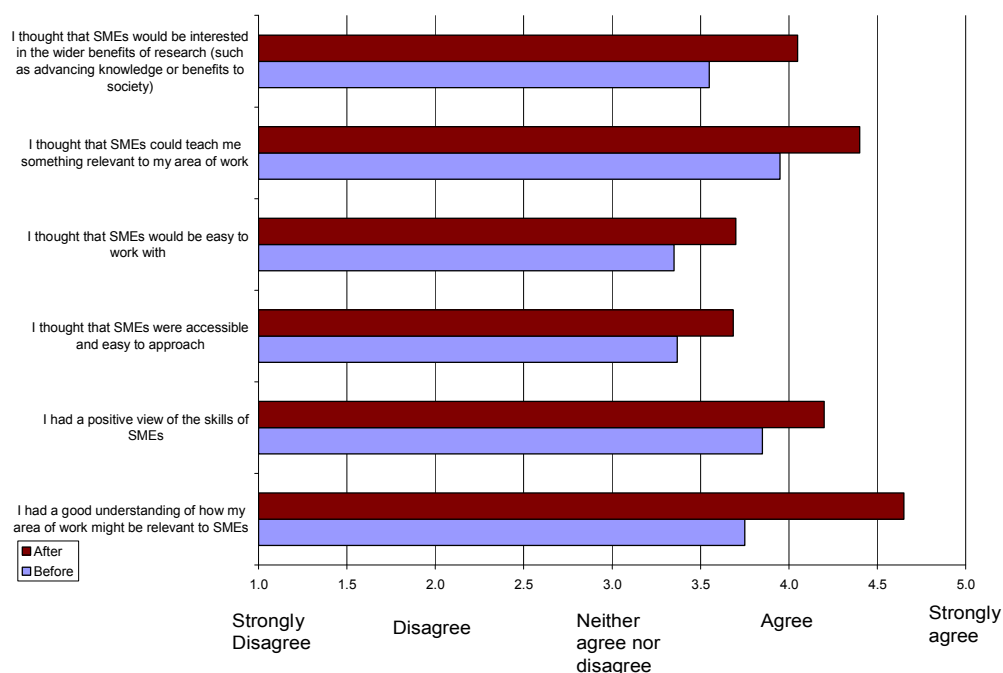
When asked about whether the project they were involved with had changed their perceptions about working with businesses, 60% of academics said that the project had not changed their perceptions, 20% said that they were a little more positive and 20% said they were a lot more positive.

The figure below provides clear evidence that the Innovation Vouchers Scheme helped to improve academics perceptions about working with businesses. Academics were read a series of statements and asked how strongly they agreed with each of them and how strongly they would have agreed with them before the project. In order to analyse the results, each response was assigned a value ranging from 5 for strongly agree to 1 for strongly disagree, thus the maximum average score for each statement would be 5 and the minimum average score would be 1.

Before participating in the Innovation Vouchers Scheme, academics generally felt that businesses could teach them something relevant to their area of work and felt that they had a good understanding of how their area of work might be relevant to businesses. Academics also had a fairly positive view of the skills of businesses. Academics were more ambivalent, although still positive, about how easy it would be to work with businesses and about how accessible and easy to approach they would be.

After the project, academics perceptions across all of these areas had improved. On average, respondents were more inclined to agree with each of the statements after the project than they were before with the average response to each statement increasing by between 0.3 and 0.9. While there is clear evidence of an improvement in performance across each of the areas, the improvement among academic partners was somewhat less than the improvement recorded for commercial partners. This appears to be as a result of academic partners perceptions of businesses being slightly more positive than businesses perceptions of HEIs to start with.

Figure 4.3 - Change in perceptions about working with businesses as a result of Innovation Vouchers Scheme.



4.5 Other Impacts and Knowledge Transfer

When asked about whether being involved in the Innovation Vouchers Scheme had any impact on other teaching and research commitments, 55% of academics said that there had been no impact, 25% said that there had been some negative impact and 20% said that there had been some positive impact. Of those who said that there was no impact, half mentioned the fact that the project happened during the summer, when they had more time available, as a mitigating factor.

95% of academics felt that the knowledge transfer objectives of the project had been achieved.

When asked about what they had learned from the project, 55% of academics said they had learned a lot and 40% said they had learned a little.

95% of academics would unreservedly recommend the Innovation Vouchers Scheme to a colleague.

Most of the academics were generally very positive about the Scheme and did not find it easy to identify how the Scheme might be improved in the future. When asked for specific recommendations however, the themes which emerged related to timescales, the size of awards and publicity.

Around 25% of those spoken to made some comment on the timescales of the projects and suggested that it would be helpful if the deadlines could be longer than were the case for the pilot Scheme. These comments should however be viewed alongside comments from other academics earlier in the survey who welcomed the relatively tight timescales which they felt helped provide focus to the project.

A further 25% of those spoken to commented that the amount of funding available meant that the projects supported had to be quite small and suggested that the Scheme could be improved by increasing the amount of the awards. Some of these people did however recognise that there may be a trade off between larger awards and a simple, fast application process. One respondent suggested compromising by introducing different funding tiers for projects of different scales (i.e. up to £5,000 for projects lasting 3 months or up to £8,000 for projects lasting 6 months).

Around 20% of those spoken to felt that the Scheme could be improved by publicising it more. Several respondents commented that they had only found out about the Scheme 'by accident' and felt that the Scheme should be promoted more. This should be seen in the context of the Scheme being a pilot. However, the comments reflect a belief that increased publicity would increase demand for the Scheme.

5 COMMERCIALISATION OFFICE FEEDBACK

The fieldwork for this evaluation also involved consulting with representatives from nine HEI commercialisation offices. These individuals were asked to comment on various aspects of the Innovation Voucher Scheme and to make recommendations as to how the Scheme might be improved.

5.1 Rationale & Objectives

To test the rationale for the Scheme, consultees were asked what they believed the key barriers to collaboration between businesses and HEIs are.

5.1.1 Barriers to Collaboration

Almost every individual consulted during this element of the fieldwork confirmed that the main barrier to collaboration between businesses and HEIs is a lack of funding. This was identified as a particular issue for very young or very small businesses which often have very limited capacity or resources to devote to R&D.

It was suggested that, prior to the Innovation Vouchers Scheme the main source of funding available to encourage knowledge exchange were Knowledge Transfer Partnerships (KTPs), which entail a very significant commitment for the company involved and as such were often unrealistic for businesses. The Innovation Vouchers Scheme was therefore welcomed for helping to fill a gap between a student project and a KTP.

Another barrier identified by several consultees was a lack of awareness among businesses either about what HEIs might be able to offer businesses or about how to access this support. It was also suggested that it can be difficult for businesses to negotiate their way through the various University departments to find the right person, particularly within larger institutions.

A related issue raised by a smaller number of consultees was that approaching and working with a HEI can be quite intimidating for businesses, particularly if they have little experience of the sector and limited R&D capacity. It was suggested that for this reason, some businesses may find it easier to work with smaller, more applied institutions than with a major research led university and there was some evidence to support this from the survey of businesses.

Another issue raised by a small number of consultees was that there may be a lack of willingness from academics to engage with businesses perhaps because of differences between academic and business cultures. Specifically it was suggested that, because of other teaching and research pressures, it can sometimes be difficult for academics to meet the time-scales expected by the private sector. There was also some evidence from the survey of businesses to confirm this.

In general however, there was very limited evidence to suggest that academic unwillingness was an issue in this project. It was for example also highlighted that academics need to engage with businesses in order to generate new knowledge and recognise this need. Where academic unwillingness was raised as an issue, it is likely to have been a result of project-specific factors relating to project design, scope or the particular individuals involved rather than a general problem.

5.1.2 Objectives

Although consultees were generally very positive about the operation and impact of the Innovation Vouchers Scheme, there was some evidence of a lack of clarity about the intended objectives. In particular, some of those consulted were unsure of whether the primary objective of the Scheme was to encourage traditional technology transfer by supporting companies with high growth potential or wider economic development objectives by supporting businesses.

Those who expressed an opinion on the issue felt that HEIs have a responsibility to help new spin-outs and start-ups and believed that their role should be to help such companies to develop to a stage where they are in a position to invest in R&D.

Another issue where there was an apparent divergence of opinion between consultees was on the role of the HEI. Some consultees appeared to regard the funding as a mechanism to 'pay for' academic time to work on a particular project while others were of the opinion that the funding was intended to encourage – or 'kick start' – a relationship.

One consultee who adopted the latter interpretation, felt that the projects supported should not simply be a matter of businesses purchasing services from a HEI because such projects were effectively consultancy work which was unlikely to generate new knowledge. This consultee believed that there was a role for HEIs to explain this to businesses and in the process to help them develop an understanding of what the higher education sector can offer them.

5.2 Origin of Projects

Consultees confirmed that in the majority of cases, funding applications were submitted in support of projects where a relationship already existed between the partners involved. In several cases the funding was regarded as a useful way of 'kick-starting' activity which had previously been discussed but where discussions had not led to actual collaborations. While such projects did not generate a new relationship, consultees were unanimous in their view that the Innovation Voucher funding had played a valuable role in helping to cement relationships and funding activity that would not have otherwise taken place.

A number of projects appear to have been generated as a result of direct enquiries from companies to university commercialisation offices or through Interface. A smaller number of projects were generated as a result of academics directly approaching companies with an idea for a project. Although the evidence is limited, these projects do appear to have been somewhat less successful in generating follow-on activity than projects which built on an existing relationship.

5.3 Scheme Design

Consultees were asked for their views on various aspects of the Scheme design including; funding criteria, the contributions made to the projects by each partner and the fact that, in contrast to similar schemes elsewhere, funding was provided to the HEI rather than the business.

5.3.1 Business Financial Contributions

Consultees can be divided into those who felt that businesses should be required to make a cash contribution toward the project and those who felt that an in-kind contribution was sufficient with the former being somewhat in the minority.

Those who believed that businesses should be required to make a cash contribution generally did so because this was a way of supporting greater academic input and securing a more valuable project, by funding more academic time. These consultees were very conscious of the value of academic time and felt that it was important that this was reflected in project designs. It was also suggested that providing a cash contribution was a good way for businesses to demonstrate their commitment to the project.

A majority of consultees however felt that a cash contribution was not necessarily a component of a successful project. These consultees felt that a requirement for businesses to make a cash contribution could act as a disincentive for some companies, particularly very new enterprises or micro-businesses which might not have sufficient cash flow available.

These consultees also highlighted that many of the projects undertaken were about testing ideas and undertaking fairly speculative research the returns for which are very uncertain. Although businesses may be willing to invest time in this type of research, it is unlikely that they would be willing to take the risk of investing cash.

Some consultees also suggested that the in-kind contributions made by their commercial partners were more valuable than a cash contribution would have been because it facilitated greater interaction between the two partners. If companies had been required to make a cash contribution, there would be a danger that some might treat the experience like they were simply buying a service from the universities, making the projects little more than consultancy exercises. Instead, by providing for in-kind contributions, the scheme encouraged partners to build a long-term relationship.

5.3.2 Eligibility Criteria

In general there were few substantive issues regarding the eligibility criteria for the scheme. Some consultees suggested that the requirement that projects had to be a new collaboration was a potential issue because more than one project may be required in order to build a strategic relationship between a HEI and a business.

Another issue raised was the apparent focus of the eligibility criteria on technology transfer type projects which some consultees felt could deter potential applicants involved in arts type projects (although there is nothing in the Scheme guidelines on this matter). Although some arts projects were supported in the 1st round, the fact that this was raised as an issue suggests that if there is a desire to encourage this type of project, it may be helpful to clarify the terminology used in the eligibility criteria. In a similar vein, it was also suggested that there might be merit in adjusting the eligibility criteria to enable social enterprises to take advantage of funding.

Another issue raised was that only Scottish registered enterprises could qualify for funding which was responsible for at least one project not going ahead. It would however appear that there was no shortage of other potential projects so there would seem to be few advantages in altering the criteria to accommodate these situations.

5.3.3 Method of Funding

The SFC Innovation Vouchers Scheme differs from other similar schemes elsewhere in the UK in that funding is provided directly to HEIs rather than the

businesses. Those consulted were broadly in favour of this model of support for a number of reasons.

Several consultees felt that providing funding directly to the HEIs would make the process easier for the companies involved because they would not have the administrative task of managing the funding. For small companies with very few staff it was felt that this might be a significant advantage.

Another common reason given in support of the current funding model related to the risk that if funding could be used for some other purpose if provided directly to the businesses. If funding were to be provided directly to the SME, there was the suggestion that the application process would need to be more rigorous in order to mitigate this risk which would in turn negate some of the advantages associated with the scheme's light touch application process.

Some consultees also suggested that if funding were to be provided directly to businesses this could lead to projects being proposed in order to spend the money rather than because they were of any real value to the company. The requirement for businesses to match fund the funding either in cash or in kind would however seem to make this unlikely.

The general consensus on this issue appears to be that funding should ideally go to which ever party is leading the project and that the current model has worked quite well. Providing there is a structured agreement in place and both parties know exactly what the objectives of the project are, who receives the funding should not be an issue.

5.4 Scheme Administration

The general consensus about the application process was that it was very quick and easy and proportionate to the value of support being provided and the scale of the supported projects.. Several consultees highlighted the 'user friendly' nature of the forms and contrasted the application favourably with other funding programmes.

Some consultees reported some minor issues with the application process but these were generally related to unfamiliarity with the Scheme and the relatively short deadlines for first round applications. It would appear that these issues teething problems which now appear to have now been resolved.

All of the consultees were familiar with Interface and had some involvement with the organisation prior to the Innovation Vouchers Scheme. The consensus of opinion about Interface was very positive with a number of consultees commending the organisation's strong customer service culture and friendly, helpful, prompt service.

Consultees felt that Interface was particularly effective at matching companies to academics because of its strong links with businesses. It was also felt that Interface provided HEIs with a better overview of the range of potential SME partners and helped them to develop links with companies that they might not otherwise have come in contact with.

It was also apparent that Interface played an important role in helping to resolve a small number of project-specific issues that arose. These tend to have related to eligibility criteria and/or project dead-lines and in each case Interface appears to have played a valuable role in helping to interpret the rules in order to identify a solution.

5.5 Future Demand

Consultees found it difficult to predict future demand for vouchers and estimates varied considerably from institution ranging from one or two a year to up to 50. The general consensus however was that demand for vouchers had exceeded supply in the first round and all of those consulted felt that they could have used more vouchers.

Future demand for vouchers is likely to be related to the size of the institution with large institutions such as the University of Edinburgh and the University of Strathclyde perhaps able to use 25 vouchers per year or more and smaller institutions such as Abertay University and the UHI perhaps requiring three to six per year.

5.6 Similar Schemes

In addition to participating in the SFC Innovation Vouchers Scheme, two of the institutions consulted (Strathclyde University and UHI) also administered similar schemes of their own. Both institutions felt that their schemes were designed specifically to suit the circumstances and requirements of their particular institution and it would be difficult for any centrally administered, common fund to be flexible enough to meet the needs of every institution. It was however acknowledged that it might be less confusing if there was just one fund, particularly for companies which are generally only interested in finding a solution to their problem rather than where the funding comes from.

One of the key differences between the SFC Innovation Vouchers Scheme, the Strathclyde 'Links' project and the UHI scheme is that neither of the latter two projects require companies to make a financial contribution to projects. The Strathclyde Links project is also not limited to supporting new initiatives. In practice, this means that Strathclyde Links funding can be used to provide follow-on funding to support the continuation of some of the projects initiated using SFC Innovation Vouchers funding. Funding for the Strathclyde Links project is due to expire in May 2011 which may create a potential funding gap.

Another key difference between the UHI scheme and the SFC Innovation Vouchers Scheme is that it can be used to support sole traders, social enterprises and community trusts. Given the growing importance of such enterprises, this was regarded as a particular advantage of this scheme.

5.7 Advantages & Disadvantages of the Scheme

All of the individuals consulted during this stage of fieldwork had significant experience working within a commercialisation environment and as such had a perspective on a variety of alternative funding sources. In order to draw conclusions about the effectiveness of this Scheme, consultees were therefore asked to consider the advantages and disadvantages of the SFC Innovation Vouchers Scheme as compared to other potential funding sources.

The main advantage identified by all consultees was the simplicity of the scheme and the speed of the application process. Several consultees commented on the 'light-touch' application process and indicated that this was particularly welcomed by the business partners involved. Consultees felt that the SFC Innovation Vouchers Scheme was considerably less bureaucratic than many other funding programmes and much more 'user friendly'.

The scheme was contrasted favourably with KTPs which have a much more demanding application process, although it was acknowledged that KTPs are generally for much more money. The SFC Innovation Vouchers Scheme was also favourably contrasted with the application process for TSB funding although it was acknowledged that this too involved much larger amounts of money. The application process for the SFC Innovation Vouchers Scheme was generally felt to be proportionate to the amount of money involved.

Consultees also highlighted the scope of the projects eligible for funding and commented that a much wider range of projects could be supported by the SFC Innovation Vouchers Scheme than by some other schemes. The flexibility of the scheme was identified as a particular strength.

Another advantage of the SFC Innovation Vouchers Funding identified by consultees was that it gives companies who otherwise wouldn't have thought of going to a University access to HE expertise. A spin-off of this is that, by removing some of the risk for both partners, the funding enables projects to be undertaken in quite experimental areas and potentially open up entirely new areas of research.

A final advantage of the scheme identified by a small number of consultees was the lack third party involvement. Funding was allocated directly to the University who then engaged directly with the company with no need for a middleman and this was seen as a particular strength by some consultees.

Consultees identified very few disadvantages of the SFC Innovation Vouchers Scheme as compared to other sources of funding but those which were identified related either to the size of awards or the focus of the eligibility criteria.

Some consultees felt that the £5,000 limit put on awards was overly restrictive and that larger awards would be required to support more valuable projects. At least as many people however, felt that the £5,000 limit was an advantage because it made it simpler to undertake projects. Most consultees recognised that larger awards would probably require more paperwork and a more protracted application process which would compromise two of the Scheme's main advantages.

A small number of consultees felt that the Scheme was overly focused on technology projects to the potential exclusion of arts type projects and this was identified as a potential barrier.

5.8 Summary

The general consensus among consultees regarding the SFC Innovation Vouchers Scheme was positive. Everyone consulted during this stage of the fieldwork felt that to date the project had worked well and nobody reported any major issues.

A small number of consultees suggested that the scheme could be improved by requiring businesses to make a cash contribution or by providing funding directly to the company however these individuals were outnumbered by consultees who believed that the current model was preferable.

A small number of consultees also suggested that the scheme could be improved by increasing the value of the vouchers. An equal number of people however felt that the current level of funding was about right and in practice it is likely that increasing the value of vouchers would compromise the simplicity of the

application process which was identified as one of the Scheme's key strengths. One potential solution to this would be to introduce more than one tier of funding.

Some consultees suggested that it would be helpful to have more clarification about the aims of the scheme and whether these related to traditional technology transfer objectives or wider economic development goals. Some consultees were unclear as to whether the primary objective of the scheme was to support high growth companies or to help businesses to grow.

Another important issue raised by consultees was that knowledge transfer is a two way process with a successful project characterised by both partners learning something from the other. It was also suggested that, rather than actively transferring knowledge, in some cases the role of the HEI might be to facilitate knowledge transfer between businesses. One way in which the scheme might be improved would therefore be to explicitly recognise both the potential role of universities as intermediaries and the two way nature of knowledge transfer.

6 COMPARATOR SCHEMES

There are a wide variety of programmes and schemes that support interaction between HEIs and businesses. While it is beyond the brief of this evaluation to carry out a literature review of comparator schemes, there are a number of broadly comparable programmes and projects have been highlighted as being of relevance to SFC's Innovation Vouchers Scheme. These are summarised below.

6.1 Comparator Schemes

Netherlands Scheme: launched in 2004 by Senter Novem, the innovation agency of the Dutch Ministry of Economic Affairs. The vouchers helped SMEs fund research into new ways of doing things, carried out by public 'knowledge' institutes or research-oriented larger firms. A 2005 evaluation of the pilots concluded that the scheme can be considered a success. It revealed that 92 of the first 100 vouchers had been used by SMEs. Another success factor was that most applicants had never before used an innovation scheme provided by Senter Novem. 80% of the vouchers generated R&D commissions that would not have been requested without the voucher system. The main conclusion from the evaluation was that the innovation voucher instrument stimulated SMEs to engage in many new assignments with public research institutes. Out of every ten vouchers, eight were used for a project that would not have been assigned without such a voucher, one was used for a project that would have been assigned anyhow and one voucher was not used.

Ireland Scheme: Enterprise Ireland ran a pilot scheme making €5,000 available to small companies through Innovation Vouchers². The objective of the initiative was to build links between Ireland's public knowledge providers and small businesses and create a cultural shift in the small business community's approach to innovation. All small companies, in every sector of the Irish economy were eligible to apply; the only exclusions were small enterprises in the transportation and agricultural sectors, in line with State Aid guidelines. Companies could approach any Institute of Technology, University or publicly-funded research organisation provided they had agreed to participate in the Innovation Voucher initiative. Companies were free to join with other small businesses also in receipt of an Innovation Voucher to work with a knowledge provider in solving an issue of common concern, up to a maximum of ten companies. There is currently no evaluation of this scheme available.

West Midlands Scheme: This is a partnership between Advantage West Midlands, ESRC and EPSRC. The aim of the scheme is to help businesses within the West Midlands access knowledge from the 13 universities within the area. It is a lottery scheme with few eligibility criteria; i.e. SME, postcode and theme. Some of the lessons to be learned from this scheme are that:

- the lottery system, although useful in terms of time scales, has no element of scrutinising, and therefore some of the successful projects are poor and have little to do with innovation;
- the process of engaging with the universities to offer support to the successful companies needs to be developed. All the universities responded in different ways and this had to be collated and put into a usable format by the secretariat;

² <http://www.innovationvouchers.ie/>

- once the universities had identified the projects they could help with, the companies were informed. However, it was soon apparent that some of the SMEs needed further help and support to contact the university of their choice; and
- there is an issue around VAT, as the voucher scheme is seen as a 'service' by the universities to the SMEs VAT is payable which will have an effect on non-vat registered companies.

The Northern Way: a new initiative funded by the Northern Way and specifically targeting the Food and Drink Sector via the Northern Food Industry Innovation Network. It provides confidential 1:1 company support with food industry experts to identify business issues and an innovation fund of up to £5,000 per company to provide funding for research and technology projects. There are a number of eligibility rules and the company must match the grant either in cash or in kind. This is a new project and the first round of applications has only just started.

North West Innovation Vouchers: Northwest Development Agency (NWDA) funded and managed by Business Link, the project provides a £3,000 voucher to SMEs to engage knowledge base providers (HEIs, Colleges and private sector knowledge providers), thereby reducing the costs, and perceived risk, of engagement. The project also brokers contact between SMEs and knowledge base experts. A key aspect of the project design is that it is the needs of the business that drives the nature of engagement with the knowledge base. Rounds 1-3 received 727 applications for 500 vouchers which were awarded by a lottery system. The total budget for these rounds was £1.7 million (from a total £4.4 million approved NWDA funding). The key findings from a recent evaluation include:

- the market pull rather than technology push of the project was key to widening the client base for knowledge panel members;
- when asked what barriers prevented engagement, prior to receiving a voucher, 52% of organisations saw a lack of finance as being a barrier to engagement, while 33% didn't know how to access the knowledge base and 26% found the process of engaging too time consuming;
- 65% of companies had no relationship with the knowledge base prior to applying for an innovation voucher and a further 27% had only a limited, positive relationship. Hence the market driven approach is generating new collaborations rather than reinforcing existing relationships;
- additionality was high, with 65% of respondents stating they would not have obtained the services sought at all, in the absence of vouchers;
- 86% of companies stated that they would unreservedly recommend Innovation Vouchers to another firm;
- the first 500 vouchers are expected to generate a projected £6.3 million in current and future impact on GVA, and a projected 97 employees.

6.2 Implications for SFC Scheme

There are two lessons in particular of relevance to the SFC Innovation Vouchers Scheme evaluation.

The first relates to programme design. All of the comparators summarised above are managed by economic development agencies that provided vouchers to businesses who then spend the voucher with a knowledge provider. The SFC Scheme is different in that the vouchers were provided via the HEIs. While it might have been reasonable to expect this to be an issue that arose in the evaluation, the feedback from both businesses and academics is that this approach has minimised the administrative burden placed on SMEs. Given that the rationale for the Scheme is to lower the barriers to interaction, it is important that the administrative requirements place on SMEs are kept proportionate to the scale of the support provided.

The second lesson relates to the scale of the comparators and the future development of the SFC Innovation Vouchers Scheme. If the Scheme was to be expanded, the experience of areas with similar business bases is that there could be demand for 100s of vouchers each year.

7 BUSINESS, HEI AND WIDER BENEFITS

Several of the businesses that participated in the Innovation Vouchers Scheme reported measurable impacts on turnover and/or employment levels and these benefits are quantified in Chapter 9. The Scheme also led to a range of intangible and unquantifiable benefits both for the immediate participants and particular sectors and society as a whole.

7.1 Business Benefits

Two-thirds of the businesses surveyed reported wider, non-quantifiable business benefits such as publicity, credibility and technological advances.

While these benefits are currently non-quantifiable, they might be expected to generate business performance and economic impacts in the longer term.

7.1.1 Publicity

The most common business benefit reported by companies related to publicity generated by the project. At least four businesses believed that the project they were involved in had helped to raise the profile of their company and two were able to point to specific examples of positive media coverage. In one case, media coverage appears to have been extensive, including half a page of coverage in the Sun newspaper, smaller stories in four other newspapers, an appearance on STV and an invitation to appear on the BBC television programme, Dragon's Den.

Media coverage can be a valuable commodity for some companies since it can help to increase consumer awareness of the company and its products and help to build brand recognition. While it is not possible to accurately measure the value of such publicity, advertising in the Sun is typically priced at £100 per column centimetre³.

7.1.2 Credibility

Another benefit cited by some commercial partners related to the credibility advantage gained by their business as a result of being associated with a university. These respondents believed that simply being associated with an academic institution conferred additional credibility on their business and its products.

7.1.3 Technology Development

Another business benefit mentioned by some of the commercial partners related to the development or enhancement of a particular technology. These respondents felt that the project they were involved with had helped them to gain knowledge about the application of a particular technology or how to advance a particular product which would be of future benefit to the company. One respondent suggested that the project had helped to add a 'wow factor' to the technology used by his company's product, thereby enhancing its attractiveness to potential customers.

³ NH advertising price guide.

7.2 Benefits to the Higher Education Sector

All of the academic partners who participated in the survey were asked about the wider academic benefits of the project they were involved in.

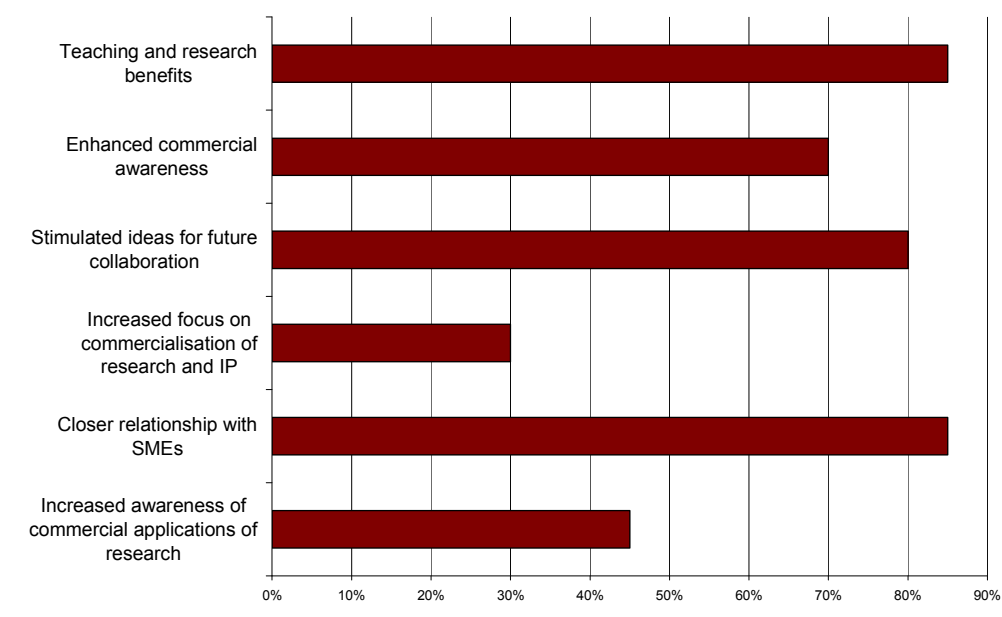
72% of academics believed that the project they were involved in had resulted in wider benefits to their organisation.

7.2.1 Types of Benefit

The most common types of benefit, mentioned by 85% of academic partners, were enhanced teaching and research opportunities and closer relationships with businesses. Other common benefits were the stimulation of ideas for future collaboration, which was mentioned by 80% of respondents and enhanced commercial awareness, which was mentioned by 70% of respondents.

A smaller number of respondents (45%) felt that the project they were involved in had helped to increase their awareness of the commercial potential of their research and just 35% felt that the project had help to increase their focus on commercialisation and intellectual property (IP). Several respondents who did not cite these as benefits said that this was because they felt that they already had a good awareness of the commercial applications of their research and were already quite focused on commercialisation.

Figure 7.1- Qualitative Benefits of Innovation Voucher Scheme to HEIs



All of those who identified wider benefits felt that these benefits were to some extent attributable to the Innovation Vouchers project. A total of 37% believed that the benefits were due entirely to the Innovation Voucher project, 42% believed that most of the benefits were due to the project, 11% said that half of the benefits were attributable to the Innovation Voucher project and 11% said that only a small proportion of the benefits could be attributed to the Innovation Voucher project.

7.2.2 Networks & Relationships

One of the most important benefits generated by the Innovation Vouchers Programme appears to have improved relationships with businesses and enhanced business networks. Most respondents felt that the project they had

been involved with had helped to bring them closer to industry and to establish new relationships that would not otherwise have existed.

Although several of the projects built on relationships that already existed to some degree between partners, it was generally felt that the funding helped to generate momentum behind these relationships by initiating activity for which no funding was available. Several respondents described this process as a 'kick-start' to institutionally valuable relationships.

A small number of respondents also mentioned that, in addition to building a relationship with their commercial partner, they had also initiated other relationships as a result of exposure to networks which had occurred because of the Innovation Vouchers project.

7.2.3 Research benefits

Most respondents also suggested that their research had been enhanced as a result of their involvement in their Innovation Vouchers Project. In some cases, respondents felt that their project had given them the opportunity to explore new areas of research and develop expertise in new areas. Other respondents welcomed the opportunity to test existing research and explore potential commercial applications.

Some of the projects supported by the first round of Innovation Voucher funding were in relatively new and experimental areas and the academic partners involved in these projects generally welcomed the opportunity to gain expertise in these areas. These opportunities were regarded as a way of enabling academics to move into new and emerging areas of research. The reputational benefits of being involved in innovative new areas were also acknowledged by some respondents who welcomed the opportunity to raise the profile of their academic unit.

7.2.4 Teaching benefits

Another benefit mentioned by several of the academic partners was the impact of the project they were involved with on their teaching. For some academics, this was because their project had helped them to develop a better understanding of the commercial application of their subject area which they were able to impart to their students. These academics felt that as a result of their project they were more aware of what was required from graduates and were able to reflect this in their teaching, better preparing their students for the workplace.

The other teaching benefit mentioned by several respondents was the intention to use the project they had been involved with as the basis for case studies. One respondent also suggested that they were considering inviting their commercial partner to talk to their students. The use of real life case studies can help to bring a subject to life for students and as such is widely recognised as an effective teaching technique.

Other projects either involved or led to opportunities for student projects and/or summer placements. In these cases the teaching benefits were more direct, enabling students to gain direct commercial experience which will undoubtedly enhance their future employability. Five of the 20 academic partners who participated in the survey indicated that their project had involved or led to a student project or placement. From the responses given, it can be estimated that at least eight such placements or projects have taken place.

7.2.5 Institutional Benefits

Several respondents stated that they believed the project they had been involved with had resulted in institutional benefits of one kind or another. For some respondents these related to developing expertise in a particular research area while for others the benefit was largely commercial.

Some respondents felt that the project they had been involved with had provided opportunities for their institution to become involved in an emerging area of research that was strategically important to their institution. A small number of respondents took this further by suggesting they hoped that the project they had been involved with would help their institution to become a 'Centre for Excellence' in a particular area.

These individuals felt that their projects had provided them with an effective way of gaining expertise in what are for them relatively new fields. Two of the specific areas mentioned were renewable energy and social enterprise both of which are growing in economic importance and as such likely to be of long term benefit to the institutions concerned. At least one respondent intended to exploit the potential commercial value of this by using his project as a case study to promote his institution's expertise in a particular area to other potential commercial partners.

A final institutional benefit mentioned by a small number of respondents (in larger institutions) was the opportunity to build closer linkages with small, local companies. As these respondents experience of working with businesses tended to be restricted to larger companies and they felt that the Innovation Vouchers Scheme had provided a useful mechanism for engaging with smaller companies.

7.3 Wider Benefits

Some of the projects supported under the Scheme also helped to create non-quantifiable benefits for groups beyond the immediate participants. In total, 33% of academic partners and 47% of commercial partners believed that the project they had been involved with had delivered wider benefits to society as a whole while 28% of academics and 33% of businesses believed that their project had delivered wider benefits for a particular sector or group.

7.3.1 Benefits to Particular Groups or Sectors

Participants in the Innovation Vouchers Scheme were able to identify a wide range of actual or potential benefits to particular groups or sectors within society. Some of the benefits identified related directly to the commercial success of a particular industry or sectors including digital media, oil & gas and commercial fish farming. Other benefits were more social than economic in nature, for example two of the projects supported appear to have generated actual and potential benefits for people suffering from food allergies and those with alcohol or obesity problems.

Two of the academic partners reported that, the projects they had been involved in had resulted in direct benefits to the social enterprise sector. In one case, the output of the project appears to have fulfilled a long standing need for a method of monitoring and evaluating performance within the sector.

Several of the projects supported in the first round of funding either had explicit environmental objectives or aimed to explore some form of environmental or renewable technology. Feedback from those involved in these projects suggests

that they have the potential to significantly enhance Scotland's expertise in various fields of environmental technology.

7.3.2 Benefits to Society as a Whole

In the longer term, it is hoped that projects related to the development of environmental technology would also have some positive impact on the environment. The outputs of the projects concerned range from feasibility testing within the off-shore renewable energy sector to development of a tool to help address the sustainable travel challenges faced by major businesses. While such projects are driven by commercial objectives, ultimately they should also contribute in some way to environmental sustainability which will be of wider benefit to society as a whole.

Another important area of wider impact relates directly to the knowledge transfer objective of the Innovation Vouchers Scheme. The rationale behind knowledge transfer is a belief that increasing the body of knowledge available to business will create opportunities for businesses to apply the knowledge in innovative ways and generate new wealth for the economy. Several respondents from both businesses and HEIs believed that the project they had been involved with had helped to enhance the knowledge base and contributed to long-term economic development in this way.

The Innovation Vouchers Scheme also appears to have generated potential cultural benefits as the result of one of the projects supported which has resulted in the formation of an entirely new musical ensemble. The ensemble is believed to be unique in Scotland and as such expected to add an entirely new dimension to the Scottish arts scene.

The benefits generated by the SFC Innovation Vouchers Scheme are somewhat wider than those typically associated with this type of scheme. This is likely to be a result of the unusually broad range of projects supported by the scheme which means that funding can and was used to support projects in the arts and social enterprise sector.

8 FOLLOW-ON ACTIVITY

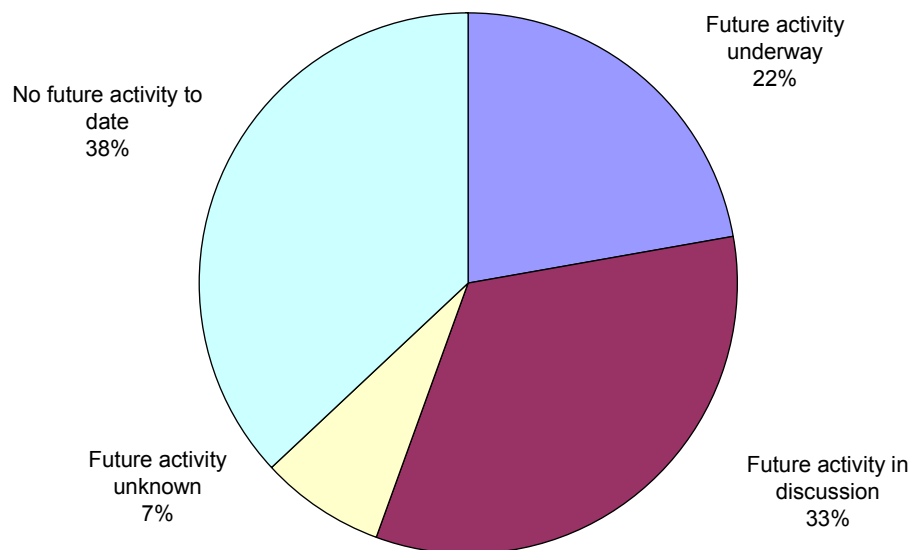
During field work, both the academic and commercial partners were questioned about whether the project they were involved with had led or was likely to lead to any further activity. This section discusses the amount and nature of future activity likely to be attributable to the initial Innovation Voucher projects.

8.1 Amount of Future Activity

In six of the projects (22%), the original partners were already working on a new project and in nine projects (33%) a future project was being discussed. A further 10 projects (38%) had not led to any further activity to date but the respondents expressed a willingness to work with the same partner again should a relevant opportunity arise. For two projects (7%) it was not possible to contact either the academic or commercial partner so it is not known if these projects led to any further activity.

None of the participants ruled out working with their partner in the future, suggesting that even for those projects where no future activity is planned, people had not been deterred from undertaking a similar exercise in the future. In fact, several of these respondents were enthusiastic about the possibility of a future project even though they were not actively pursuing an opportunity.

Figure 8.1– Future Activity Generated by Projects



8.2 Nature of Future Activity

The six projects where future activity is already underway have together generated eight new projects. These include:

- 2 PhDs that have been partially funded by commercial partners;
- 2 cases where the academic and commercial partners are developing the initial project through a combination of public and private funds;
- 2 cases where the academic and commercial partners are in the process of developing a product together;

- 1 case where partners have developed the initial project using public funds; and
- 1 case where partners have initiated a new project using private funds.

The nine projects where future activity is under discussion are together likely to generate 11 new projects including:

- 4 KTPs;
- 2 cases where the partners hope to develop the initial projects using a mixture of public and private funds;
- 2 cases where the partners are hoping to secure public funding to develop the initial project;
- 1 case where the partners are hoping to secure public funding to develop a different project;
- 1 case where the partners are hoping to continue working on the initial project but are unclear how this will be funded; and
- 1 case where the partners are hoping to work on a new project but are unclear yet how this will be funded.

The degree to which this future activity can be attributed to the initial Innovation Voucher funding varies from project to project. In some cases the partners believed that activity was entirely attributable to the initial project and wouldn't have otherwise happened at all while in other cases, partners felt that the Innovation Voucher funding had been a contributory factor.

Partners who felt that the initial Innovation Voucher Funding had been a contributory factor were asked to estimate its importance to making the subsequent project(s) happen. This was done using a scale of 1 – 100 where 1 indicated that the project would almost definitely not have happened without the initial Innovation Voucher funding and 99 indicated that it was virtually certain that the project would have happened anyway.

The average response to this question from SME participants was 53 while for HEIs it was 51 suggesting that the Innovation Voucher funding was a significant factor. The high degree of correlation between the views of the academic and commercial partners on this issue suggests that a high degree of confidence can be placed in this result.

9 QUANTITATIVE BENEFITS AND IMPACTS

This section presents the quantitative impact of the SFC Innovation Vouchers Scheme to date and the expected future impact.

9.1 Economic Impact Assessment Methodology

A useful guide to best practice in undertaking economic impact in evaluations is the Impact Evaluation Framework (IEF) guidelines for Regional Development Agencies (RDAs) set out by the Department for Business Innovation and Skills (BIS). This describes the need to consider the additionality logic chain, taking account of:

- intervention case – this is the case where the intervention has occurred (i.e. what has happened to the business since the start of the project);
- reference case – this is the case where the Scheme never existed (i.e. what would the business have been doing anyway); and
- net additional impact – impacts that would not have occurred in the absence of the intervention (the difference between the intervention and reference cases).

The impact assessment needs to take account:

- leakage – impacts that occur outside Scotland;
- displacement – impacts that occur at the expense of other non-assisted businesses in Scotland;
- substitution – this effect arises where invests in an activity in order to take advantage of public sector assistance, at the expenses of another productive activity; and
- multipliers – further economic activity associated with purchase of suppliers and the spend wages and as a result of the project.

Impacts are quantified in terms of Gross Value Added (GVA) and full time equivalent employment (FTEs).

Good practice guidance suggests that as far as possible, evaluation methodology should utilise primary research. In accordance with this guidance, this section is based largely on responses given by businesses to questions asked during the telephone survey.

9.2 Current and Future Impacts

Most of the projects supported by the SFC Innovation Vouchers Scheme were completed during Summer 2009 and some were not completed until near the end of the year. During fieldwork for this evaluation, most businesses reported that they were still in the very early stages of implementing the outcomes of the projects they were involved with. For this reason, the scheme is very unlikely to have yet had much of an impact on turnover or employment.

To help address this issue, this study considers not only what the additional impact of the scheme is currently but also estimates the potential future impact additional impact of the scheme. Given the very early stages of some of the

projects however, many of the companies who responded to the survey simply did not know how their project might impact on their company in the future. Even companies that were very confident that there would be some future impact on turnover or employment, often felt unable to estimate what this might be. The figures presented in this analysis should therefore be regarded as a conservative estimate.

9.3 Quantifiable Economic Impacts

The key source of information for quantifying the economic impact of the Innovation Voucher Scheme was the SME survey. In total 21 businesses participated in this survey representing the majority of the 27 projects. Of the six businesses which did not participate, one is no longer in business and three were involved in projects which had social rather than economic objectives and it has been assumed that the remaining two did not lead to any quantifiable economic impact.

Each of the businesses that participated in the survey was asked ‘do you believe that this project has resulted in any direct financial or employment impacts in your company to date or is likely to do so in the future?’ In total, 17 businesses answered ‘yes’ to this question.

All of these 17 companies were expecting the economic impacts from the project to occur in the future and six reported that they had already occurred. Of the six companies which reported that the economic impacts had already occurred, four were unable to provide turnover information or otherwise quantify the impact.

Of the two companies which were able to quantify the impact, one reported an increase in turnover and both reported increases in employment. Eight of the companies which said that they expected turnover or employment to increase in the future were able to provide data to quantify the impact.

The current and future gross impacts (before taking account of displacement and multiplier effects) are summarised in Table 9.1.

The potential future impacts, at more than £3.3 million and more than 200 jobs. More than 90% of this impact is associated with one project which could result in significant business growth. This is what would be expected for a Scheme of this nature, since it supports R&D activity which is by nature a high risk, high reward activity. The economic impact of interventions that support R&D tend, therefore, to derive from a small minority of supported projects.

Table 9.1 - Gross Impact of Innovation Vouchers Scheme

	Current Impact	Potential Future Impact
GVA	£16,372	£3,305,932
Employment (ftes)	1.8	208

Source: BiGGAR Economics Impact Analysis of the Innovation Vouchers Project.

The net impacts have been calculated by taking account of:

- leakage – all of the impacts
- supplier effects (the impact as a result of beneficiary companies buying in goods and services) – the GVA multiplier for supplies was 1.3 for current impacts and 1.8 for future impacts;

- income effects (to take account of spending by new employees) – the GVA multiplier for income was 1.5 for current impacts and 1.2 for future impacts;
- displacement – for current impacts, displacement was low, at less than 10% and for future impacts was calculated at just under 50%; and
- substitution – no adjustment for substitution was necessary for project where impacts were reported.

The current and future net impacts (after taking account of displacement and multiplier effects) are summarised in Table 9.2.

This shows that the impact of the first 27 projects supported by the Innovation Vouchers Scheme was:

- GVA impact of £27,000 and 1.9 fte employment benefit already realised; and
- potential future GVA impact of £3.6 million and 230 fte employment.

Table 9.2 - Net Impact of Innovation Vouchers Scheme.

	Current Impact	Potential Future Impact
GVA	27,044	3,566,876
Employment (ftes)	1.9	230

Source: BiGGAR Economics Impact Analysis of the Innovation Vouchers Project.

10 CONCLUSIONS AND RECOMMENDATIONS

10.1 Conclusions

The Innovation Voucher Scheme is well regarded by both the HEIs and the businesses that have been engaged in projects.

The survey of businesses found that:

- 40% of businesses became aware of the Innovation Vouchers Scheme as the result of an existing relationship with their HEI partner, although none of the projects supported businesses and HEIs that had previously undertaken collaborative research activities;
- 60% of businesses said they had never participated in a joint project with a HEI before;
- the most important reason cited by businesses as a barrier for engagement with the higher education sector was lack of funds;
- 87% of businesses found the application process either 'easy' or 'very easy';
- 60% of businesses were in favour of funding going directly to the HEI partner;
- 55% of businesses would not otherwise have undertaken the project;
- All businesses contributed to their projects with 25% making a financial contribution;
- 65% of businesses said that the project they were involved with met their expectations and 35% said it had exceeded expectations;
- 95% of respondents believed that the Innovation Vouchers Scheme had succeeded in promoting knowledge transfer between HEIs and businesses; and
- 95% of businesses said they would definitely recommend the Innovation Vouchers Scheme to a friend or colleague in another SME.

The survey of academic partners found that:

- 85% of the academic partners who participated in the Innovation Vouchers Scheme had previously undertaken a joint project with a SME;
- 100% of HEIs found the application process either 'easy' or 'very easy';
- all respondents identified at least one advantage of the Scheme compared to other sources of funding but only 50% could identify a disadvantage;
- 72% of academics said that the project they were involved with would not have happened without the Innovation Voucher funding;
- 90% of academics said that the project they were involved with met or exceeded their expectations;
- 95% of academics felt that the knowledge transfer objectives of the project had been achieved; and

- 95% of academics would unreservedly recommend the Innovation Vouchers Scheme to a colleague.

The feedback received from commercialisation offices was positive. All consultees felt that the project had worked well to date. A number of potential developments of the Scheme were suggested and these are discussed further below.

While the rationale for the project was to encourage greater collaboration between HEIs and SMEs rather than generate economic impact per se, the initial projects have generated some quantifiable economic impact and could lead to substantial economic impacts in the future.

The net additional impact of the first 27 projects supported by the Innovation Vouchers Scheme was:

- GVA impact of £27,000 and 1.9 fte employment benefit already realised; and
- potential future GVA impact of £3.6 million and 230 fte employment.

In six of the projects (22%), the original partners were already working on a new project and in nine projects (33%) a future project was being discussed. These follow-on projects could result in further impact.

A range of other business and academic impacts were identified. Two-thirds of the businesses surveyed reported wider, non-quantifiable business benefits such as publicity, credibility and technological advances.

Seventy two percent of academics believed that the project they were involved in had resulted in wider benefits to their organisation, in particular, enhanced teaching and research opportunities, the stimulation of ideas for future collaboration and enhanced commercial awareness.

The scale of these benefits is impressive given the relatively modest cost of the Scheme (£110,050).

Moreover, the benefits generated are somewhat wider than those typically associated with knowledge transfer and innovation support schemes. This is likely to be a result of the unusually broad range of projects supported by the Scheme which meant that funding was used to support projects in the arts and social enterprise sector as well as in hi-tech sectors.

The consistent theme that came through during the research was that the Innovation Voucher Scheme lowered the barriers to HEI business interaction by providing funding to stimulate the interaction and by making it easy for HEIs and businesses to work together.

Any future development of the Scheme must ensure that the principle of ease of access is maintained.

10.2 Recommendations

Given the positive feedback received from participants and the impressive range of benefits and impacts delivered, relative to the costs of the Scheme, the Innovation Vouchers Scheme should be continued.

Given this success, consideration should also be given to expanding the scale of the Scheme. The level of demand that could exist is difficult to forecast since the

number of vouchers issued to date has not required extensive marketing to be undertaken. However, the experience of the comparator schemes and the consensus of opinion from the commercialisation offices consulted was that there could be a demand for a 10-fold increase in the scale of the Scheme.

The ease of access to the Scheme was an important driver of success so it is important that any expansion should not be associated with an increase in the administrative burden to participants. The design and administration of the Scheme should remain unchanged although it is recognised that an increase in the number of vouchers available would also require an increase in the budget for the management of the Scheme (to cover both administrative costs and the marketing of the Scheme).

While there was general satisfaction with how the Scheme was designed and administered, suggestions for improvement that should be considered include providing some additional guidance to assist applicants with completing the forms (perhaps in the form of an example application and final report) and a note that gave clarity on the overall objectives of the Scheme and the type of organisations that are eligible for support.