

This version of the paper is confidential

Enhanced UIF model: further proposals

Introduction

1. This paper takes on board the UIF Review Group's (UIFRG's) feedback from the meeting on 21 August 2019¹. It continues the straw person approach from the August meeting and presents a revised model for eventual consultation with the sector in January 2020. The Group's feedback on this paper will assist the executive in drafting the final consultation for SFC RKEC approval on 19 December 2019. The Group has a further two meetings (should both be required) scheduled for 2019 (12 November and 3 December) to endorse the draft consultation.

UIF Review Group conclusions

2. The UIF Review Group has made a number of conclusions/assumptions from which it would recommend SFC develop the UIF in consultation with the sector. These are:
 - The vision or purpose for UIF should be clearly articulated or restated. Its place in, what is increasingly being termed, 'Scotland's innovation ecosystem' should also be clearly articulated;
 - The Platform Grant is important for all institutions and is 'critical' for some. It should be maintained (at least at current levels);
 - Focusing the UIF on outcomes is making a difference but we must make sure this approach is coherent, prioritised and properly aligned with Scottish Government and SFC strategies;
 - The currently termed 'collaborative framework' which UIF currently helps to facilitate, primarily as a condition of grant, is starting to make a positive difference in the way our universities are working together on continuous improvement in the university/business interface. We must make sure this is coherent, focused on the right, and right number of, outcomes, and properly supported so it can act as a genuinely sector-wide effort;

¹ Remember all previous papers are available from: <http://www.sfc.ac.uk/funding/university-funding/university-funding-innovation/UIF-review-papers/UIF-review-papers.aspx>

- The UIF, however it is constructed in the future, needs appropriate measures to demonstrate the impact it is having;
 - The UIF needs a funding and operating model which incentivises the right behaviours and drives impact; and
 - The position of the UIF in the SFC’s outcome agreement process is helping to give UIF, and the activity it is intended to support, greater visibility in universities. However, there is more SFC could do to ensure UIF is used entirely for its intended purpose and is not lost in university total SFC allocation. There is also more SFC could do to ensure consistency in UIF plans and reporting.
3. In addition to the assumptions set out above, the Group recognised at its 21 August 2019 meeting, that changes in the policy landscape, including the political and financial uncertainty posed by the UK’s future departure from the European Union, may have implications that are, as yet, unknown. Competing pressures on public finances could place increased focus on delivering impact through the UIF approach.
 4. Finally, as set out in paper [UIFRG/19/08, Equality Impact Assessment](#), equality and diversity is to be embedded in the enhanced UIF approach with the aim of preventing discrimination, advancing equality of opportunity and fostering good relations between different groups. This is in accordance with general and specific duties of the Public Sector Equality Duty (PSED) set out in the [Equality Act 2010](#). The proposals set out below are intended to deliver this aim and the executive will advise the Group on specific issues during the course of discussion.

Aligning the UIF with SFC’s new Strategic Framework and Scottish Government strategy

5. SFC’s new [Strategic Framework 2019-22](#) is aligned with the Scottish Government’s Strategic Board objectives and the new [National Performance Framework](#) (NPF).
6. The Scottish Government amended the Climate Change Bill to set a target of net-zero emissions by 2045 at the latest, and raise the ambition of the 2030 and 2040 targets to 70% and 90% emissions reductions respectively.
7. The UIF model will be aligned with these updates to, and changes in, policy. Tackling inequality will be embedded through the alignment of the UIF with

NPF elements that relate to inclusion, employment and cultural diversity (see below).

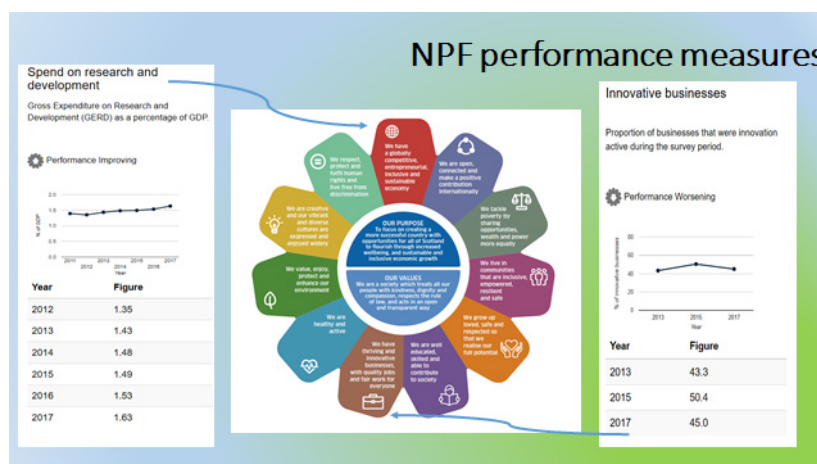
8. Objective 2 ‘innovation’ in SFC’s new strategic framework (published in 2019) includes a commitment to, “...ensure that universities are improving their links with businesses” which will be achieved (not exclusively) through, “...using our investments in the UIF to stimulate greater economic, social and cultural benefits from the work of universities”. This represents SFC’s contribution to the priorities of the Enterprise and Skills Strategic Board and falls under the Business Creation and Growth (BCG) mission.

9. Objective 2 has been mapped against the following three elements of the NPF:

- We have a globally competitive, entrepreneurial, inclusive and sustainable economy;
- We have thriving and innovative businesses, with quality jobs and fair work for everyone;
- We are creative and our vibrant and diverse cultures are expressed and enjoyed widely.



10. The performance measures for the first two of these elements include increased ‘spend on R&D’ and ‘innovative businesses’ (see below). The Scottish Government’s economic strategy includes a priority to double Business Enterprise R&D (BERD) expenditure to £1.75bn by 2025 from £871m in 2015. These are indicative of the impacts the Scottish Government would like to see from Scotland’s innovation ecosystem.



Measurement

11. The summary performance measures in SFC's Strategic Framework for objective 2 are as follows (the references in square brackets refer to the data we already collect and its source or where we do not currently collect):
 - Increase in income from knowledge exchange activity (BCG) – [*HE-BCI*² and *SFC KEM*³]
 - Number of active spin-out and start-up companies from universities which have survived at least three years (BCG) – [*HE-BCI*]
 - Number of knowledge exchange contracts with Scottish organisations (BCG) – [*KEM and potential for HE-BCI as part of review*]
 - The number of SFC Innovation Vouchers (IVs) and follow-on IVs (BCG) – IV scheme [*collected by SFC as part of IV scheme*]
 - Percentage of awarded UK Industrial Strategy Challenge Fund (ISCF) involving a Scottish tertiary institution (BCG) – [*not currently collected by SFC*]
 - Total percentage of Innovate UK funding won into Scotland (BCG) – [*KEM includes IUK income per HEI*]
12. The summary performance measures form part of the context for the development of the UIF model. All the measures are relevant to the measurement of the contribution UIF can make to university innovation performance. The Group is invited to discuss how the UIF should be measured in the future – potentially prioritising.
13. The proposed model includes three year UIF plans as part of the SFC's Outcome Agreement (OA) process and reporting through the annual OA self-evaluations. This narrative should be considered as part of the (qualitative) measurement of UIF.

Proposed model for consultation

14. A three year UIF plan shall be submitted as part of the outcome agreement process (OA) for universities. The plan should demonstrate how the university will use its UIF allocation to deliver the UIF's intended purpose of stimulating

² HESA, Higher Education - Business and Community Interaction Survey (HE-BCI)

³ SFC Knowledge Exchange Metric collection (KEM)

greater economic, social and cultural benefits for Scotland from Scotland's universities. The plan should demonstrate:

- commitment to delivering the **NPF outcomes** aligned with UIF and any other NPF outcomes as relevant/appropriate to the university's KE strategy;
 - commitment to **continuous improvement** through proactive engagement in sector-wide collaborative activities and adhering to the principles of the Knowledge Exchange Concordat;
 - how the UIF will be allocated, distributed etc. within the university and how this will help **strengthen and grow capacity** including for engaging with the UK Industrial Strategy Challenge Fund;
 - high-level and bespoke **university owned KPIs**;
 - ensuring UIF is only directed at activity which, in terms of delivery and/or outcomes, supports the Scottish Government **net-zero** (2045) target;
 - commitment to understanding and addressing **equality and diversity** issues as they relate to the delivery of the aims of the UIF and all those affected by its use.
15. Each year the university should submit a case study which best illustrates use and impact of its UIF allocation. In the annual OA self-evaluation report we would expect universities to describe changes in practice attributable to engagement with collaborative activities and to reflect on initiatives to mainstream equality and diversity as part of the delivery of the UIF approach.

Proposed funding allocation

16. Funding will be allocated in two parts: UIF A (platform) and UIF B (variable)⁴.

- **UIF A - Platform Grant (£4,750,000)**

An equal baseline allocation of £250K to all 19 universities, matched using other sources where the university is able to do so.

- **UIF B - Variable (£8,750,000)**

⁴ Assuming UIF budget is maintained at current (AY19/20) levels.

The formula for UIF B shall be informed by one or any combination of the following (all taken from the objective 2 performance measures in SFC's strategic framework):

- Number of Scottish R&D contracts with business (average);
- Number of Scottish R&D contracts all sources (average);
- Increase in Scottish R&D contract income from businesses (average);
- Increase in Scottish R&D contract income from all sources (average);
- Number of spinouts still active after 3 years (average).

Issues for discussion

17. The Group is invited to consider and comment on all aspects of the model presented in this paper. The following is intended to highlight areas which we would welcome the Group's views on.

Financial impacts and other implications of changes to the funding model

18. The proposed UIF B excludes factors included in the current formula such as consultancy, CPD etc. and instead focusses on more direct economic impact activity aligned with SFC's strategy. This will result in reductions in funding for some universities and increases for others. The executive will present financial modelling at the meeting following consideration of this paper.
19. The Group is invited to discuss the potential for focussing on a single or combination of variables in the formula for UIF B.
20. The Group is invited to consider the potential for minimum and maximum thresholds for UIF B. This would be to protect against any disproportionate allocation to a single or small number of institutions. This would also incentivise smaller institutions to improve their performance. The Group is invited to consider whether this should be made an upfront proposal (i.e. include in the model) for consultation or more of a theme for comment.

Collaborative continuous improvement activities

21. The sector collaborative outcome groups currently in operation are organised under the current seven outcomes for UIF. The shift to aligning UIF with the NPF does not make these irrelevant or redundant – all of the current outcomes are relevant to the NPF, including outcome seven (equality and diversity). The consultation should invite the sector to consider and suggest how this work should continue – for example, prioritisation, consolidation etc.
22. The consultation may receive suggestions for financially incentivising and measuring this work such as through a third strand to the allocation model.
23. The collaborative activities are currently being supported by the UIF Collaboration Manager. SFC funding for this post will end in 2020 and any future funding for this post will need to be absorbed by the sector. The consultation should invite comments on this.
24. It is anticipated that we will have more detail on the proposed Knowledge Exchange Concordat by the time we issue the consultation and we should invite comments on its role, prominence etc. for achieving progress in continuous improvement. SFC, the Higher Education Funding Council for Wales and the Department for the Economy Northern Ireland have all expressed an interest in using and promoting the Concordat as part of their respective strategies for KE support.

The Muscatelli report

25. At time of writing the Muscatelli report is due to be published in October 2019. SFC will be proactive in developing a response to the report's recommendations however, as the report was commissioned in a personal capacity by Cabinet Secretary, Mr McKay, we will need to wait for his response to the recommendations before agreeing any actions. We should have more detail on this and its implications for the consultation at a future meeting of the Group.

Equality and diversity

26. In accordance with SFC's statutory obligations, it is essential that the enhanced UIF model does not discriminate against any protected characteristic group, serves to advance equality of opportunity between different groups and foster good relations. The proposals set out above are intended to place equality and diversity at the heart of the UIF through its alignment with NPF elements that relate to addressing inequalities, the expectation that institutions will commit to understanding and addressing equality and diversity issues as they relate to the delivery of the aims of the UIF and all those affected by its use.
27. The consultation will seek comment on the proposed model from an equality and diversity perspective and, if necessary, the Group will be asked to review

recommendations to avoid potential negative impacts and explore further opportunities to promote equality and diversity through the UIF approach.

Metrics/data

28. The HESA run HE-Business Community Interaction survey (HE-BCI)⁵ is a condition of grant for UIF. SFC is currently continuing to collect the SFC KE metrics (KEM) return but has signalled its plan to eventually cease this collection. The variable model being discussed here includes elements which are collected across both data sets. HESA has initiated a review of HE-BCI; therefore, we have the opportunity to ensure the elements currently captured by KEM but not by HE-BCI can be captured by HE-BCI in the future. We can use the consultation to help understand/put this into context.

Recommendations

29. The Group is invited to:

- Comment on the proposed model for consultation with the HE sector – in particular, is the model presented here aligned with the Group’s conclusions to date;
- Note and comment on the indicative funding allocation financial models which will be tabled and presented following the Group’s discussion of this paper;
- Note that all feedback from this meeting will be used to develop the draft consultation for comment at the Group’s next meeting.

Publication

30. This paper will be withheld from publication on the Council website as it contains information that is prejudicial to the effective conduct of public affairs (Freedom of Information (Scotland) Act 2002, Section 30).

Further information

⁵ <https://www.hesa.ac.uk/data-and-analysis/business-community>

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