

Innovation Centre programme

- This paper asks the Council Board to note and comment on the longer term vision and forward strategy for the Innovation Centre (IC) Programme prepared by SFC, Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government.
- ICs bring the expertise and capabilities of Scotland's businesses, colleges, universities and research pools to address industry demand led opportunities that support growth of the Scottish economy. The ICs support transformational opportunities for industry and work collaboratively to develop Scotland as a world-leading entrepreneurial and innovative nation. This is the programme vision.
- The Strategy as currently agreed by the programme partners in the programme board is presented in full at Annex A to this paper.
- We will know our strategy has been successful when:
 - Our ICs are meeting or exceeding targets.
 - The IC programme continues to form part of published Scottish Government strategy.
 - Our portfolio of ICs is even more relevant to the needs of Scotland's economy.
 - We can demonstrate the programme's contribution to the National Performance Framework.
 - Industry invests significantly in IC facilitated project activity.
 - Scotland's innovation and productivity performance improves - particularly via an increase in Scotland's "Business Expenditure on R&D (BERD)" figures.

Recommendations

- Note and consider the attached IC programme strategy.

Financial implications

- Although there are no immediate financial implications arising from this paper, delivering the strategy will require later decisions on changes to the call on SFC's programme funds. The staff time to manage and shape the running costs may grow as a more flexible and responsive programme may require more oversight.

Innovation Centre programme

Purpose

1. This paper asks the Council Board to note and comment on the longer term vision and forward strategy for the Innovation Centre (IC) Programme, as developed by SFC, Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government.

Background

2. The Innovation Centre programme is funded and supported by SFC, Scottish Enterprise, Highlands and Islands Enterprise and Scottish Government (the funding partners). The programme forms part of Scotland's innovation system and the Scottish Government's Programme for Government.
3. Innovation Centres (ICs) bring the expertise and capabilities of Scotland's businesses, colleges, universities and research pools to address industry demand led opportunities that support growth of the Scottish economy. The ICs support transformational opportunities for industry¹ and work collaboratively to develop Scotland as a world-leading entrepreneurial and innovative nation. This is the programme vision.
4. There are currently eight ICs in operation. Following the phase-two funding assessment process² seven ICs have been awarded phase-two funding from SFC and other partners. Future plans for the Oil and Gas Innovation Centre (OGIC) are being arranged following the Council Board meeting on 7 December 2019³. Short descriptions of each of the current eight ICs have been provided at Annex B.
5. The phase-two assessment process was robust in reviewing the strategic case for further investment in each IC. This has ensured that the programme currently has a good strategic fit in Scotland's innovation system, and this is recognised by the Scottish Government.
6. The governance structure at the IC programme level comprises the IC

¹ At least two of the current ICs have Scotland's NHS as major 'customers'. References to Industry here and elsewhere in the document should be read to include the NHS and public sector..

² Council paper SFC/17/43 from the 23 June 2017 meeting, available at <http://www.sfc.ac.uk/about-sfc/council-board/council-papers/2017/CouncilMeeting23June2017.aspx>

³ Council paper SFC/19/86 from the 5 December 2019 meeting.

Programme Board (ICPB) with senior level representation from the funding partners. The ICPB is supported by a steering group comprised of officers from SFC, SE and HIE⁴. The ICPB has agreed a high-level strategy for the programme and this is guiding the oversight and direction of the programme.

7. The strategy has been developed through consultation with SFC's Research & Knowledge Exchange Committee (RKEC) and with the IC CEOs and Chairs at a strategy meeting on 12 November 2019.
8. The strategy is being brought to the Council board now as an action from its September 2019 meeting, where it was agreed that "... the longer term vision and forward strategy for the IC programme would be re-presented to the Board for fuller consideration... giving time to reflect inputs from several reviews including that of research pooling by Professor Heathwaite."
9. The strategy will be a living document and the ICPB, as owners of the strategy, is aware of and welcomes the opportunity for further feedback from SFC's board.

The Innovation Centre Strategy

10. The Innovation Strategy is, in summary, to:
 - Develop the IC programme as a key component of Scotland's innovation system, complementing and working efficiently with others.
 - Retain and increase the flexibility of the programme and ensure it is structured and operated to respond to Scotland's economic and social needs.
 - Develop and implement a simplified contracting process and use a programme wide review to steer a comprehensive decision on shape and purpose over the whole programme.
 - Retain and develop strong multi-partner stewardship and governance.
 - Invest strategically and sustainably in the programme, broadening the forms of investment support to use new instruments and greater private sector support wherever appropriate.
 - Place inclusivity and diversity at the heart of the programme.

⁴www.sfc.ac.uk/web/FILES/ResearchInnovation/Innovation_Centres_Programme_Partners_Governance_Framework.pdf

- Prioritising IC activity where it can support Scotland’s climate change opportunity, ensuring ICs contribute to building a green economy and a fair transition.
 - Measure and report on achievement and impact against Scotland’s key performance indicators.
11. The Strategy as currently agreed by the programme partners in the programme board is presented in full at Annex A to this paper.

Activities and Inputs

12. The IC programme strategy has seven key themes under which we have identified key actions. Actions are at various stages of development and an action plan will be put in place soon. The following highlights progress in some key areas.
13. An all IC and funding partners meeting is scheduled to take place on 27 January 2020. This event will be aimed at sharing ideas and identifying: areas where cross IC collaboration could develop ideas; and potential new projects that could impact on Scotland’s Climate Emergency response, as well as supporting delivery of Phase 2 Business Plans.
14. The IC Steering Group (ICSG) used its December 2019 and January 2020 meetings to develop proposals for ICPB approval regarding the implementation of the portfolio review - a significant action under ‘a flexible and responsive programme’ in the strategy.
15. The portfolio review will be our next critical milestone in ensuring the programme is fit for purpose in the context of Scottish Government priorities. The funding partners have long recognised that in order to fully understand the success to date and potential maximum value of any ICs, then the innovation centres would need to be considered collectively in order to allow the possibility of responding to the needs of Scotland’s economy. This review will also allow partners and the IC Programme Board to fully understand the role of the programme within Scotland’s innovation system in order to achieve maximum benefits from it.
16. The strategy recognises that the programme will need to be flexible in response to other inputs such as changes in government policy as well as the Heathwaite, Muscatelli and Cumberford/Little reports.

Measuring this strategy

17. We will know our strategy has been successful when:
- Our ICs are meeting or exceeding targets.
 - The IC programme continues to form part of published Scottish Government strategy.
 - Our portfolio of ICs is even more relevant to the needs of Scotland's economy.
 - We can demonstrate the programme's contribution to the National Performance Framework.
 - Industry invests significantly in IC facilitated project activity.
 - Scotland's innovation and productivity performance improves - particularly via an increase in Scotland's "Business Expenditure on R&D (BERD)" figures.
18. It is important to note, as has been highlighted to the Board in previous discussions, that a monitoring and evaluation framework (MEF) is in place and this serves as a consistent tool for monitoring progress and agreeing any remedial action for the funding partners.

The college sector

19. The Innovation Centres have been partnering with the college sector in Scotland in order to integrate the capability of colleges to support businesses in a variety of ways, complementary to the R&D focus of university expertise.
20. The Board's attention is drawn to two examples:
- The HND programme in Industrial Biotechnology developed between the IBioIC and three colleges⁵.
 - The pioneering work of three Innovation Centres and 13 colleges to explore and deliver innovative training opportunities at the boundary of construction and digital health and care⁶.
21. Our future strategy for the Innovation Centre programme includes the further

⁵ Glasgow Clyde, Forth Valley and Glasgow Kelvin Colleges. <http://www.ibioic.com/skills/hnd/d16/>

⁶ The project was led by DHI and CSIC. More details at: <https://www.dhi-scotland.com/projects/futureequipped/>

development of the IC's relationship with colleges as source of support for Scotland's future low carbon inclusive economy.

Risk assessment

22. The IC Programme is a prominent investment with strong political backing. The impact of a failure to deliver would therefore be significant. The mitigation of that risk is being led by a strong and multi-partner governance structure, the programme board.

Equality and diversity assessment

23. An Equality and Human Rights Impact Assessment is being carried out for the strategy as presented.

Recommendations

24. The Council is invited to note and consider the attached IC programme strategy.

Financial implications

25. Although there are no immediate financial implications arising from this paper, delivering the strategy will require later decisions on changes to the call on SFC's programme funds. The staff time to manage and shape the running costs may grow as a more flexible and responsive programme may require more oversight.

Publication

26. This paper will be published on the Council website after the meeting.

Further information

27. Contact: Keith McDonald, tel: 0131 313 6674, email: kmcdonald@sfc.ac.uk.

Annex A - Innovation Centre programme strategy



Introduction

The Innovation Centre programme is funded in partnership by the Scottish Further and Higher Education Funding Council (SFC), Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE) and Scottish Government (the funding partners).

Innovation Centres bring the expertise and capabilities of Scotland’s businesses, colleges, universities and research pools to address industry demand led opportunities that support growth of the Scottish economy. Innovation Centres support transformational opportunities for industry and work collaboratively to develop Scotland as a world-leading entrepreneurial and innovative nation.

We will work with Highlands and Islands Enterprise and Scottish Enterprise on the next phase of development and investing in the Innovation Centres. **SFC**

We will connect more businesses to our R&D assets (including Innovation Centres, colleges and universities) to increase their skills and innovation capabilities. **Scottish Enterprise**

We will work in partnership with the wider innovation landscape, particularly Scotland’s Innovation Centres and the excellent research and expertise that can be accessed through them. **HIE**

We are working collaboratively across the public sector by building on the funding already invested in Scotland’s Innovation Centres. **Scottish Government**

Strategy

Responsibility for this strategy shall rest with the Innovation Centre Programme Board (ICPB). It will be delivered in partnership by the funding partners, ICs, host-universities and other stakeholders.

This strategy runs from 2019. It will be a living document and will be reviewed and updated as and when appropriate.

This strategy is aligned with Scotland’s National Performance Framework⁷.



⁷ <https://nationalperformance.gov.scot/>

This strategy has been developed by the Innovation Centre Programme Board through consultation with SFC's Research and Knowledge Exchange Committee and Board, the Innovation Centres themselves and host-universities.

The IC programme in Scotland's innovation system

We will promote ICs as **partners in Scotland's innovation system**, helping to drive economic growth and impact in key sectors, technologies, and finding solutions to some of the big challenges facing our society and environment – we will do this by:

- Promoting ICs internally and externally as key assets and partners in Scotland's innovation and skills system;
- Promoting ICs as UK and global ambassadors - for example, including their representation in Going Global, Scottish Government and RSE international missions;
- Prioritising IC business plan activity at winning funding from UK and international sources – including UKRI and UK Industrial Strategy;
- Encouraging Scottish Government to include IC representation on key fora such as the Scotland Can Do Business Innovation Forum (CDBIF).

A flexible and responsive programme

We will operate the IC programme to be **flexible and responsive** to the needs of Scotland's economy and Scottish Government priorities – we will do this by:

- Strengthening and working with the network of ICs to enable greater collaboration, sharing of good practice, and sharing resources where appropriate.
- Working together with funding partners to identify significant and relevant sources of funding (e.g. Industry Strategy Challenge Funds); create compelling bids with public- and private-sector partners to attract that funding; and where appropriate, co-ordinating the delivery of funding programmes to ensure that industry in Scotland captures the maximum economic benefits from these programmes.
- Using the monitoring and evaluation framework (MEF) and other relevant evidence (such as the Muscatelli report⁸) to inform and prioritise investment and enact change at the IC or programme level at any time.

⁸ At time of writing other relevant work includes the Cumberford/Little report on economic impact of colleges, Heathwaite review of Research Pooling, Mr Lochhead's Science and Research Working Group, Scottish Government's Inward Investment Plan, Enterprise & Skills Strategic Board's innovation mission etc.

- Agreeing, by the end of June 2020, and implementing no later than summer 2022, a portfolio review of our current ICs and other opportunities, thereby enabling us to prioritise our investment in current and potential new ICs at a programme level.
- Inviting other ICs to operate under the IC programme brand where it makes strategic sense to do so.

Multi-partner contracting

We will adopt a streamlined multi-partner appraisal process and more efficient contracting – we will do this by:

- Running, in early 2020, a ‘funding partner and IC staff learning workshop’ to review the phase 2 appraisal and funding review process and identify further improvements for future decision making.
- Through the IC Programme Board, consider our options for adopting a single contract model and make recommendations for this in early 2020.
- Agreeing, by June 2020, a consistent methodology for measuring impact to inform the appraisal process for any future investment. This should take on board any guidance from the Scottish Government’s analytical unit.

IC programme governance

We will ensure **excellent stewardship and governance** of the programme – we will do this by:

- Holding at least five IC Programme Board (ICPB) meetings per year supported by the IC programme steering group. Formalising our strategic liaison between the ICPB and ICs (including host universities) and other key stakeholders.
- Through the ICPB consider our options for resourcing, from programme funds, two FTE to manage and oversee the programme⁹.
- Through the funding partners’ membership, seek advice and guidance from the Scottish Government’s Strategic Board on the programme’s effective contribution to Scotland’s innovation system.

⁹ This strategy will increase pressure on existing resources therefore we must consider what options we have to ensure excellent stewardship.

- Monitor EC state-aid compliance.

Sustainable investment

We will **invest strategically and sustainably in the programme**, over appropriate timescales – we will do this by:

- Continuing to invest in the ‘core’ of ICs and less in IC managed project funds, reflecting our ambition for ICs to leverage significant investment from business and wider funding programmes from the UK and wider. Investing over long periods where the evidence is strong.
- Encouraging the ICs to work with funding partners, other ICs and industry to identify – and bid for – large scale funding programmes, for example Industrial Strategy Challenge Funds. This will be prioritised as a metric, and may form the basis of future funding decisions.
- Considering any proposals, and at any time (legal advice pending), from ICs regarding options for spinning out of the programme or other directions/models as appropriate.
- Using our networks to identify potential other sources of funding such as venture capital and the Scottish National Investment Bank.
- Organising by April 2020, an all IC and host-university workshop on the potential use of financial transactions and other sources to fund IC activity.

Equality and diversity and inclusive growth

We will promote equality and diversity in all aspects of the programme – we will do this by:

- Conducting an EHRIA of this strategy;
- Using the MEF to encourage ICs to continuously review their E&D strategies;
- Work with the ICs to identify opportunities for effective contribution to Scottish Government strategy for inclusive growth.

Climate emergency

We will ensure ICs are part of Scotland’s response to the **climate emergency** – we will do this by:

- Prioritising IC activity at opportunities related to Scottish Government net-zero targets and the ‘green economy’.

- Where relevant promoting ICs as partners in any future Scottish Government net-zero strategy.
- Using the MEF to encourage ICs to measure and improve their carbon emission in their everyday operations.

Measuring this strategy

We will know our strategy has been successful when:

- Our ICs are meeting or exceeding targets.
- The IC programme continues to form part of published Scottish Government strategy.
- Our portfolio of ICs is relevant to the needs of Scotland's economy.
- We can demonstrate the programme's contribution to the National Performance Framework.
- Industry invests significantly in IC facilitated project activity.
- Scotland's innovation and productivity performance improves - particularly via an increase in Scotland's "Business Expenditure on R&D (BERD)" figures.

Annex B – Current innovation centres

IC Programme Vision

“Innovation Centres bring the expertise and capabilities of Scotland’s businesses, colleges, universities and research pools to address industry demand led opportunities that support growth of the Scottish economy. Innovation Centres should support transformational opportunities for industry and work collaboratively to develop Scotland as a world-leading entrepreneurial and innovative nation”



CENSIS is a centre of excellence for Sensor and Imaging Systems (SIS) and Internet of Things (IoT) technologies. CENSIS enables leading industry innovators and world-class researchers to collaborate at the forefront of market-focused SIS and IoT innovation, developing products and services for global markets.



CSIC supports Scotland’s construction related businesses to innovate, collaborate and grow by matching innovation requirements with business support and academic specialists. CSIC is interacting with businesses at all levels to pull together tailored innovation support for the construction industry across Scotland.



DHI is a national resource, established in 2013, and funded by the Scottish Government and Scottish Funding Council (SFC). It is a partnership between the Glasgow School of Art and the University of Strathclyde and it also plays a pivotal role in creating collaborative projects to health and care challenges facing Scottish communities. its focus is creating person-centred, innovative and digital solutions that will have a positive impact on society.



IBioIC - Industrial biotechnology (IB) is an enabling technology that uses biological substances, systems and processes to produce materials, chemicals and energy. The Industrial Biotechnology Innovation Centre (IBioIC) works with industry, academia and government to transform Scotland's competitiveness and capabilities through the use of IB.



The Data Lab helps Scotland maximise value from data and lead the world to a data-powered future. It accelerates that journey by fuelling innovation through collaboration, building skills and growing talent, and strengthening Scotland's thriving data science community. It acts as a catalyst, using its expertise, network, funding and platforms to change how Scotland, and the world, innovates with data.



SMS-IC is a unique collaboration in life sciences. It has brought together leading experts from industry, the National Health Service (NHS) and academia with the common aim of developing safer, more effective therapies and diagnostic tools for the management of chronic diseases.



SAIC connects industry with academia to: encourage collaboration on priority issues; share insights and knowledge gleaned with the wider sector; attract additional UK and EU funding into Scottish aquaculture; encourage new generations into the sector; and develop those already working within it.

OGIC fostered, encouraged and funded technology innovation. It connected oil and gas companies with new ideas to the world-class research expertise that exists within Scotland’s tertiary sector. Partners (SFC, SE and SG) are working closely with the Oil and Gas Technology Centre to support academic to business opportunities focused on the Oil and Gas industry’s net zero carbon target for 2045. This approach was approved by SFC Board at its December 2019 meeting.

Phase 2 funding summary

Innovation Centre	Total/core Phase 2 funding £M	SFC £M	SE £M	HIE £M	SG (other) £M	Phase 2 dates
CENSIS	9.2	7.3	1.7	0.2	0.0	1/08/18 – 31/07/23
IBioIC	11.1	7.8	2.8	0.5	0.0	1/08/18 – 31/07/23
The Data Lab	13.5	9.5	2.5	0.5	1.0	1/04/19 – 31/03/24
Construction Scotland IC	11.0	8.0	2.5	0.5	0.0	1/06/19 – 30/05/24
SAIC (Aquaculture)	10.0	7.5	0.5	2.0	0.0	1/08/19 – 31/07/24
DHI (Digital Health)	10.0	7.5	0.0	0.0	2.5	1/07/19 – 30/06/24
SMS (Strat Med)	9.5	7.5	2.0	0.0	0.0	1/10/2019 – 30/09/24
Totals	74.3	55.1	12.0	3.7	3.5	