

Innovation Centres Programme Partners' Governance Framework

(June 2018)

This governance framework sets out how the funding partners will work together to manage the Innovation Centres Programme at an operational level.

This governance framework is among:

- Scottish Funding Council (SFC),
- Scottish Enterprise (SE), and
- Highlands and Islands Enterprise (HIE)

Altogether referred to as the 'Funding Partners'.

A Programme Governance Advisory Structure is set out in Schedule 1 with associated roles, responsibilities and membership summarised in Schedule 2.

1. CO-OPERATION BETWEEN THE FUNDING PARTNERS

- 1.1.** Each Funding Partner hereby acknowledges their shared interest in supporting the successful delivery of the ICs, including but not limited to the achievement of the milestones set out in the respective contracts. Accordingly, each Funding Partner shall exercise its rights and obligations under its respective contracts in good faith, in a reasonable manner and with consideration of the impact on the ICs and on the other Funding Partners.
- 1.2.** The Funding Partners will contract with ICs under an agreed contracting framework. The Funding Partners will agree funding profiles aligned with the quarterly Monitoring and Evaluation Framework (MEF) returns so that payments are made based on satisfactory performance and progress. The Funding Partners' Project Team (for each IC) will manage the day to day relationship with the respective IC and will recommend to the respective Finance Officers (or equivalent) to make payments.
- 1.3.** Throughout the five-year support of the ICs, the Funding Partners agree to communicate quarterly¹ in relation to the progress of the ICs, as may be necessary or desirable to facilitate: (i) the effective delivery of activity by the ICs; and (ii) the effective exercise of the Funding Partners rights under the contracts.
- 1.4.** For the avoidance of doubt, where a contract says that a matter is at the sole discretion of SE, SFC or HIE, there shall be a discussion between the Funding Partners prior to a final decision being made to reject a funding claim and communicated to the ICs on such matter. The purpose of the discussion is to enable the Party to consider the views of the other Funding Partners in coming to a decision.

¹ Project Team to review IC Reports quarterly and escalate to IC Steering Group by exception

- 1.5.** The Funding Partners agree to operate a formal IC Programme Board with the remit of strategic overview of the IC Programme, agreeing indicative funding for the respective ICs as part of the appraisal process, owning the programme risks, providing direction to the IC Steering Group and briefing the Partners' main boards and, where appropriate, the Strategic Board. If the Funding Partners' Project Team (for the IC in question) and the IC Steering Group have exhausted all avenues and are unable to resolve the issue in relation to unsatisfactory performance, the IC Programme Board will review the issue with a view to reaching a clear decision on how to resolve the matter.
- 1.6.** The Funding Partners agree to operate a formal IC Steering Group providing programme level updates and briefings to the IC Programme Board as appropriate, and to implement activities at programme-level in line with the strategic guidance of the Programme Board. Should the IC Steering Group be unable to resolve an issue in relation to IC performance, they may escalate the matter to the IC Programme Board with a recommendation for mitigation.
- 1.7.** The Funding Partners Project Team (for each IC) will carry out formal quarterly reviews of the Claim returns for each IC in advance of the relevant IC Board meeting. These reviews will evaluate the effectiveness of the individual IC's generation and delivery of academia-business projects, overall business engagement and progress in reporting key performance indicators and milestones. Any issues on key performance indicators and/or milestone delivery will be fed back to ICs by the Funding Partners' Project Team. Should these reviews highlight a material deviation from the agreed business plan, this will be escalated to the Funding Partners Representatives on the IC Board with a recommendation for mitigation. Refer to paragraph 1.15 for notifying the Funding Partners and 1.16 for the Funding Partners working together to resolve the issue.
- 1.8.** Major reviews, convened, or commissioned, by the IC Programme Board, will take place as appropriate but no later than at two years from the contract end date (or more frequently, at the Funding Partners' discretion). These reviews will conclude whether an IC should continue to be funded and/or whether any enhancements or revisions need to be made. The Partners have agreed, through the IC Programme Board, that any funded Innovation Centre will require a lead time of at least two years to manage any decision regarding funding beyond the period of this award.
- 1.9.** Without prejudice to the generality of paragraph 3.2, to foster open and meaningful communication and ensure the Funding Partners can make any representations on any proposed course of action of the other Funding Partners in respect of the contracts, the Funding Partners Project Team (for each IC) shall meet on a quarterly basis to discuss progress against business plans. At such meetings, the Funding Partners shall have a full and frank discussion on progress and each Funding Partner agrees to consider the views of the other in coming to a decision on whether the requirements of the contracts have been met to enable payment of the funding claim or otherwise.
- 1.10.** The Funding Partners shall agree a process to ensure that, at a minimum, quarterly meetings are arranged in a prompt and diligent manner, that all Funding Partners (and the ICs, as appropriate) are represented by suitable personnel and that all relevant information is shared in advance of the meetings. For avoidance of doubt, Funding Partners agree that additional meetings may be arranged as and when required.
- 1.11.** The Funding Partners agree to participate in events with the ICs, including but not limited to, joint meetings with the IC CEOs.

- 1.12.** The Funding Partners agree it may be appropriate to ask the ICs to organise events and national conferences in which ICs will be expected to participate (including, but not limited to, activities which form part of Scottish Government groups and activities on 'innovation'). The Funding Partners further agree that any such approach must comply with relevant public procurement rules.
- 1.13.** The Funding Partners agree to give early notification of any issue or matter that may affect the operation of ICs and to share knowledge regarding strategic and operational priorities within their respective organisations.
- 1.14.** The Funding Partners agree to keep each other informed of any significant engagement through communications or meetings, with any other party, related to prospective or funded ICs. The Funding Partners shall work together with an IC to agree a joint position on any publicity associated with the IC.
- 1.15.** The Funding Partners Project Team, for a given IC, shall promptly notify the Funding Partners Representatives (on the IC Board) of the occurrence of any of the following:
 - 1.15.1.** any breach, or anticipated breach, by the IC of any material term, warranty and/or undertaking in a contract;
 - 1.15.2.** any unsatisfactory performance of any obligation of the IC under a contract;
 - 1.15.3.** an IC's failure to meet any condition for payment of Funding (including without limitation, any requirements or milestones);
 - 1.15.4.** any Funding Partner becomes entitled to terminate its contract;
 - 1.15.5.** any Funding Partner becomes entitled to vary, delay, withhold or suspend payment of any funding under its contract or to require repayment or any funding under its contract;
 - 1.15.6.** any Funding Partner has good cause to believe that any IC is or may be unable to fulfil any of its material obligations regarding delivery;
 - 1.15.7.** any Funding Partner and any IC enter a dispute relating to delivery whether formal or informal; or
 - 1.15.8.** any other matter which might reasonably be considered to have a detrimental impact on the ICs, the other Funding Partners or the Funding Partners contracts.
- 1.16.** If the Project Team notify the Funding Partners Representative (on the IC Board) of any matter under paragraph 1.15, the Funding Partners shall work together promptly and in good faith to resolve the matter to their mutual satisfaction, including without limitation, by:
 - 1.16.1.** sharing any relevant information and evidence concerning the matter and its impact on the IC;
 - 1.16.2.** considering any amendments it may be reasonable to make to the contracts to recognise, for example, changes to the anticipated IC's progress, spend, budget and/or timelines;

- 1.16.3. considering the likely impact on the other Funding Partners of any proposed course of action in respect of the matter;
 - 1.16.4. discussing the matter and, during that discussion, the Funding Partner with whom the decision rests considering the views of the other Funding Partners; and
 - 1.16.5. co-operating in relation to any proposed course of action to be taken in respect of the matter and providing a consistent message to the IC.
- 1.17. The Funding Partners will carry out an evaluation of the ICs jointly (including, without limitation, agreeing the scope of the evaluation and allowing all Funding Partners to submit evidence to be considered as part of the evaluation). In the event it is agreed by the Funding Partners that an independent third party should conduct the evaluation, the Funding Partners shall agree the terms of the tender brief and shall evaluate responses received to the invitation to tender. SFC shall lead the tender process and shall award the contract to the successful bidder. All costs incurred in relation to the evaluation shall be borne equally by the Funding Partners, including, for the avoidance of doubt, the costs of engaging an independent third party to carry out the evaluation. The Funding Partners recognise that each party may wish to carry out evaluations relating to their funding element to satisfy their internal requirements.
- 1.18. The Funding Partners agree to formally review refreshed and/or new IC Business Plans to support future investment decisions

2. RECRUITMENT OF KEY IC PERSONNEL

- 2.1. The Funding Partners shall work collectively to ensure that ICs are required to advise each of the funding Partners in writing of any requirement to recruit or replace the IC Chair Person or CEO. This should occur sufficiently in advance of the recruitment or replacement process to allow SE, HIE and SFC to provide meaningful input to the process and selection of the IC Chair Person or CEO (including,) having partner representation on any interview panel. The Funding Partners shall work collectively to ensure that no appointment of a Chair Person or CEO of the IC occurs without SE's, HIE's and SFC's endorsement of such appointment

3. ESCALATION

- 3.1. The Funding Partners shall attempt, in good faith, to resolve any dispute, issue, concern or complaint regarding the ICs or the administration of the contracts promptly by negotiation.
- 3.2. If a matter cannot be resolved by the Funding Partners Project Team within a reasonable period of time, it shall be escalated to the Funding Partners Representatives (on the IC Board) and all Funding Partners shall use all reasonable endeavours to resolve the dispute as soon as possible.
- 3.3. If the dispute cannot be so resolved within seven (7) days, it shall be referred to the IC Programme Board, in consultation with the IC Steering Group, and all Funding Partners shall continue to use all reasonable endeavours to resolve the dispute as soon as possible.
- 3.4. In the event the Funding Partners do not agree on a course of action following such escalation, SFC, SE and HIE remain entitled to rely on the provisions of their respective contracts and take such action as they may deem appropriate.

- 3.5. Nothing in this paragraph 3 shall prevent a Funding Partner from commencing any formal enforcement action or exercising any rights it may have under the contracts, where the right to do so would be hindered by the delay in complying with the procedure in this paragraph 3.

4. INTERPRETATION

In this Governance Framework, other than where the context requires otherwise, the following definitions apply:

Innovation Centre or IC	the term ‘ Innovation Centre ’ or ‘IC’ is used to describe collaborations among businesses, universities, colleges, research institutes and others to enhance innovation in Scotland and particularly across Scotland’s key economic sectors, sub-sectors or cross-cutting themes, for achieving economic impacts for Scotland. ICs should be demand-led organisations with a clear understanding of how they contribute to economic impact and benefit for Scotland. While each IC should develop to best meet the innovation requirements of the sector or sub-sector concerned, this should be balanced with the need to minimise any duplication of effort or increased complexity across the business support landscape. Adoption of consistent approaches across ICs is desirable, where appropriate. ICs may involve physical co-location of expertise and activity or adopt a multiple location or distributed network model.
Funding	any funding provided by either SFC, SE or HIE to the ICs regarding activity;
Contracts	all: (i) SFC Offer of Grant, (ii) SE Contract and (iii) HIE Contract;
The Funding Partners Project Team (per IC)	Means a team consisting of lead officers for each IC from SFC, SE, HIE and other organisations as appropriate.
Funding Partners Representatives on IC Board	Means senior management from SFC, SE and HIE who are observers of the IC Board.
IC Steering Group	Means Keith McDonald (SFC); Catherine Lamont (SE); Morven Cameron (HIE) and other officers. This group will meet monthly and by correspondence.
IC Programme Board	Means Julia Brown (SE); David Oxley (HIE); Stuart Fancey (SFC); Richard Rollinson (SG); Roddy McDonald (SG) and other officers. This group will meet quarterly and by correspondence.
SFC contract	means the investment offered by SFC to the IC for the delivery of activity pursuant to the terms of the SFC

contract;

SE contract

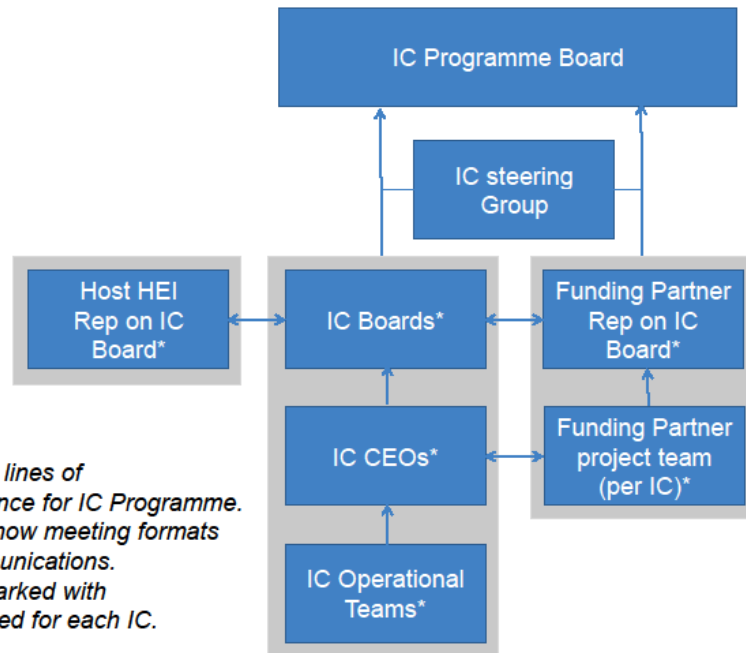
means the investment offered by SE to the IC for the delivery of activity pursuant to the terms of the SE contract;

HIE contract

means the investment offered by HIE to the IC for the delivery of activity pursuant to the terms of the HIE contract;

Schedule 1

IC Programme – diagram showing accountability/governance arrangements



Notes:

1. This diagram shows lines of accountability/governance for IC Programme.
2. Diagram does not show meeting formats and stakeholder communications.
3. Functions/groups marked with asterisk (*) are replicated for each IC.

Schedule 2

Roles, Responsibilities and Membership

Group	Membership	Key responsibilities
IC Programme Board	Julia Brown (SE); David Oxley (HIE); Stuart Fancey (SFC); Richard Rollinson (SG); Roddy McDonald (SG) + other officers	Strategic overview of the programme. Agrees indicative funding levels as part of the phase-two appraisal process. Owns the risk register. Resolution of IC performance escalated by the steering group (in extreme cases). Agrees briefings to the Strategic Board. Considers landscape etc. Provides direction to the Steering Group. Frequency: quarterly and by correspondence.
IC Steering Group	Keith McDonald (SFC); Catherine Lamont (SE); Morven Cameron (HIE) + other officers	Resolution (or escalation to Programme Board) of IC performance issues escalated to it by the IC project managers. Provides reports/briefing to the Programme Board. Considers MEF data and identifies trends, good practice etc. to support improvement/enhancement of the programme. Frequency: monthly and by correspondence.
IC Funding Partner Project Team (per IC)	Project Managers and/or lead officers for each IC from SFC, SE, HIE and other organisations as appropriate.	For each IC a team consisting of project managers and/or lead offers will be convened to monitor progress and coordinate the collective interests of the programme partners with respect to the IC. This will include meeting/corresponding to review the IC's quarterly MEF return in advance of the relevant IC Board meetings. Any issues on KPI/milestone delivery will be feedback to the IC via input at by the project managers either at Board level or with the CEO directly. Frequency: quarterly or more frequently either by meeting or correspondence.
IC CEO and funding partners forum	IC CEOs; Interface; officers from SFC, SE, and HIE.	Owned and managed by the IC CEOs. This meeting supports the ICs in sharing good practice and collaboration. Frequency: quarterly
IC admin-hub group (ICAHG)	IC admin-hub representatives; an IC CEO representative; representatives from the partners (SFC, SE and HIE).	This group meets to share good practice and consider common challenges in the admin-hub/IC relationship. Frequency: as required.
IC Boards	IC Board membership + observers from the partners (SFC, SE and HIE)	The partners will nominate a representative to observe IC Boards. This arrangement forms part of the MEF. Frequency: at least quarterly