

University Innovation Fund

- This paper invites the SFC's Research and Knowledge Exchange Committee (RKEC) to consider progress on the delivery of the University Innovation Fund (UIF) against the original vision. Members are invited to provide initial advice to the executive on the future development of the UIF, noting that the executive will bring more detailed proposals to a future meeting.

Recommendations

- Note and comment on progress with the new UIF approach (Linda Wallace, UIF Collaboration Manager will attend the meeting to provide an oral progress report on the delivery of the UIF national outcomes at a collaborative level and the development of a framework for monitoring and evaluating the success of the UIF approach).
- Advise the executive on the future development of the UIF, the evidence base to inform this, and RKEC's role.
- Note that the executive intends to bring more detailed UIF proposals to a future meeting of the Research and Knowledge Exchange Committee (potentially 11 October).

Financial implications

- There are no immediate financial implications associated with this paper. The Committee will be asked to agree recommendations relating to the development of the UIF approach at a future meeting. These recommendations may impact on the allocation of UIF funding from AY2020-21 onwards but would not alter the total UIF budget.

University Innovation Fund

Purpose

1. This paper invites the SFC's Research and Knowledge Exchange Committee (RKEC) to consider progress on the delivery of the University Innovation Fund (UIF) approach against the original vision. Members are invited to provide initial advice to the executive on the future development of the UIF, noting that the executive will bring more detailed proposals to a future meeting.

Background

2. The UIF was introduced in AY 2016/17 to bring SFC's long-term formulaic investment in the knowledge exchange, innovation support and outreach capacity of universities into an outcome-focussed, collaborative framework compatible with the Outcome Agreement approach around which our support for universities is structured. The UIF replaced the Knowledge Transfer Grant (KTG) in AY 2016-17¹. It was developed in response to Scottish Government guidance² and following consultation with the sector³.
3. At the time of its inception the UIF sat within a policy context that included the Universities Scotland (US) 5 point action plan, the Innovation Scotland Forum (ISF) action plan, Scotland Can Do Innovation Forum, and the Scottish Government's review of Enterprise and Skills support. Today, the policy context has widened to include the Scottish Government's Strategic Board, UK Industrial Strategy, additional funding arising from Barnett consequentials, Research England's development of a KE Framework (KEF), and the recruitment of a UIF collaboration manager in March 2018.
4. On RKEC's advice AY16/17 was classed as a year of transition and a three year framework (AY2017-20) for the UIF, aligned with the Outcome Agreement cycle was endorsed (November 2016, RKEC/16/29)⁴. The framework – consisting of seven nationally agreed outcomes is summarised at **Annex A**.
5. AY2019-20 represents the final year of the current three year UIF framework. Aligned with the timetable for the development of Outcome Agreements, the

¹ The UIF is made up of two strands; a baseline allocation ('Platform Grant') of £250,000 to each university with the remainder distributed as a variable element ('Outcome Grant'). The Outcome Grant is currently modelled on universities' capacity for knowledge exchange, conditional on universities pro-actively engaging with the UIF approach through the Outcome Agreement process.

² Scottish Government asked SFC to implement "...innovative new approaches to exploiting our research base and incentivising those who adopt them" Letter of guidance to SFC 2015-16.

³ www.sfc.ac.uk/communications/Consultations/2014/SFCCN012014.aspx

⁴ RKEC/16/29:

http://www.sfc.ac.uk/web/FILES/CMP_RKECommittee24November2016_24112016/RKEC_16_29_University_Innovation_Fund.pdf

negotiation of UIF plans for AY2019-20 will commence in the autumn of 2018 and UIF plans for AY2020-21 will be negotiated in autumn 2019. It is in the context of the current three year cycle nearing its end and issues relating to the current allocation model (see below), that the Committee is invited to give consideration to proposals for the development of the UIF approach.

6. Following Scottish Government's announcement of additional funding, arising from Barnett consequentials, for research and innovation in AY2018-19, the UIF budget for AY2018-19 will increase by £5.2 million (38.8%); from £13.5 million as set out in the final Outcome Agreement Funding announcement in May 2018, to £18.7 million⁵. The additional funding for UIF will be distributed proportionally across all universities already in receipt of UIF. Individual UIF allocations for AY2018-19 are provided at **Annex B**. There is no guarantee that this level of funding will be maintained in future years.
7. The current allocation model comprises a platform grant of £250K to all universities and an outcomes grant which is modelled on the capacity of Scottish HEIs' for knowledge exchange - based on the previous KTG AY2015/16 allocations as informed by the AY2014/15 SFC KE metric return. At present, there is no sufficiently developed mechanism for varying levels of award unless an institution does not submit a satisfactory UIF plan. In developing the UIF approach we will need to review the allocation model.
8. In the Ministerial correspondence⁶ on outcome agreements for AY18/19 the following was said about UIF:

"... I expect the SFC to continue to work in partnership with the sectors, Enterprise bodies and others, and to use OAs to agree with the sectors how the Universities Innovation Fund (UIF)... will deliver systemic change and drive up levels of business innovation in support of the Enterprise & Skills Review and the Can Do Innovation Action Plan for Scotland."

Delivering the UIF approach: vision and progress

9. Since its launch, all universities have demonstrated a commitment to delivering this vision through the alignment of ambitions and activities with the national outcomes at an individual and collaborative level where this is appropriate.
10. Institutional UIF plans (published annually on SFC's website) indicate a commitment to the delivery of the UIF approach. Although varying in their structure and style, there has been a transition towards the adoption of an

⁵ SFC/AN/12/2018 – Additional funding for research and innovation AY 2018-19:

http://www.sfc.ac.uk/web/FILES/announcements_sfc122018/SFC_AN_12_2018_Additional_funding_for_research_and_innovation_2018-19.pdf

⁶ http://www.sfc.ac.uk/web/FILES/AboutUs/Ministerial_correspondence_on_Outcome_Agreements_2018-19.pdf

outcome focussed narrative to articulate how the UIF will support the delivery of outcomes for the institution and Scotland⁷.

11. Analysis undertaken by the executive has identified the emergence of a number of common themes around institutions' activities in support of the national outcomes including enhanced engagement with intermediary bodies such as local economic partnerships and chambers of commerce to secure collaborative projects with SMEs, dedicated business engagement and innovation posts, to secure and manage closer relations with businesses, and enhanced support for students and staff starting their own businesses.
12. Significant progress has also been made in respect to identifying areas for collaborative activity. The sector, through Universities Scotland's Research and Commercialisation Directors Group (US RCDG) has formed groups under the current seven UIF outcomes and all universities have confirmed their intention to fully engage with these where relevant. Each group is led by a university and each has made progress in terms of examining current good practice and areas for collaborative activity that will lead to sector improvement. Key stakeholders - Scottish Enterprise, Highlands and Islands Enterprise, Interface and Scottish Government- are fully engaged in this activity.
13. Progress has also been made in respect to developing a framework to monitor and evaluate the success of the UIF approach. This framework will provide a platform for the sharing of good practice and set a baseline from which 'improvement' can be measured. It will be the main mechanism used by the SFC to measure the impact of the UIF at a national level and will complement the Outcome Agreement process.
14. Appointed as UIF Collaboration Manager in March 2018, Linda Wallace will provide an oral report on collaborative activity and refer to the diagram provided at **Annex C**.

Developing the UIF approach

15. The development of the UIF will require consultation and an evidence base on various themes including the following.
 - is the UIF approach having an impact;
 - do we have the right outcomes;
 - is the collaborative approach adding value;
 - do we have the right structures in place;
 - the current policy/economic context;

⁷ UIF plans submitted for AY 2016-17 and AY 2017-18 are published on SFC's website at <http://www.sfc.ac.uk/funding/university-funding/university-funding-innovation/university-innovation-funding.aspx>. Following the announcement of an increase in UIF funding for AY2018-19, UIF plans for 2018-19 are to be resubmitted and will be published alongside Outcome Agreements in September 2018.

- measurement – do we have the right/do we want metrics;
 - establishing an appropriate funding model⁸.
16. The most substantial development will be a review of the funding model which should not be undertaken in isolation. We will also wish to ensure fairness, transparency, appropriate drivers and incentives, and collaboration. The revised Research Excellence Grant is a recent example of where SFC has reviewed its funding models on most of these principles. REG comprises three elements: REG A (REF results) + REG B (Research Council income) + REG C (charity income). Following this example, and purely for illustrative purposes only, UIF could be developed along similar lines e.g. UIF A (platform) + UIF B (some kind of capacity/volume measure) + UIF C (a measure related to evidence of commitment to collaboration).
17. Our timescale for development of the UIF could take one of two forms – as follows:
- We stick with the AY2017/20 framework and develop proposals now so that we are ready for any changes to be put in place in time for the AY2020/21 cycle (remit and guidance approved in early summer 2019 and indicative funding allocations published early 2020). This represents the original expected timescale however it would mean developing the next phase of the UIF before the final year has concluded and also doing so in parallel with developments such as KEF, Strategic Board missions etc. which it may be better to see the outcome of first.
 - We extend the AY2017/20 framework by one year to end of AY2020/21. Any changes would need to be in place in time for the AY2021/22 OA cycle (remit and guidance approved in early summer 2020 and indicative funding allocations published early 2021). This approach could have the advantage of allowing more time to evaluate impact of the UIF against its original vision, understand any potential relationship or alignment with Research England’s KEF, and potentially have confirmation on the total UIF budget continuing at least at AY18/19 levels.
18. The development of the UIF will continue to be done in partnership with Universities Scotland RKEC and RCDG, the enterprise agencies, Scottish Government, and others.
19. The executive intends to bring more detailed UIF proposals to the Committee for consideration. Should we decide to stick with the AY2017/20 framework we would bring a paper to the 11 October 2018 meeting with the aim of consulting

⁸ The former KTG methodology is provided for information at **Annex D**.

the sector on proposals over October 2018-January 2019. Working to this timetable would ensure that proposals can be implemented in AY2020-21.

Risk assessment

20. There is a low level of risk associated with this paper. A full risk assessment would need to be carried out at a future stage.

Equality and diversity assessment

21. An Equality and Human Rights Impact Assessment (EHRIA) has been undertaken for the UIF and is published on the SFC's website⁹. A further EHRIA will be undertaken in parallel with the development of UIF proposals with a view to embedding equality and diversity within the policy development process.

Financial implications

22. There are no immediate financial implications associated with this paper. The Committee will be asked to agree recommendations relating to the development of the UIF approach at a future meeting. These recommendations may impact on the allocation of UIF funding from AY2020-21 onwards but would not alter the total UIF budget.

⁹ UIF EHRIA: http://www.sfc.ac.uk/web/FILES/EqualityImpactAssessments/University_Innovation_Fund_2017-18_EHRIA.pdf

Recommendations

23. The Committee is invited to:

- Note and comment on progress with the new UIF approach (Linda Wallace, UIF Collaboration Manager will attend the meeting to provide an oral progress report on the delivery of the UIF national outcomes at a collaborative level and the development of a framework for monitoring and evaluating the success of the UIF approach).
- Advise the executive on the future development of the UIF, the evidence base to inform this, and RKEC's role.
- Note that the executive intends to bring more detailed UIF proposals to a future meeting of the Research and Knowledge Exchange Committee (potentially 11 October).

Publication

24. This paper will be published on the SFC website.

Further information

25. Contact: Keith McDonald, Assistant Director, tel: 0131 313 6674, email: kmcdonald@sfc.ac.uk or Fiona Bates, Policy/Analysis Officer, tel: 0131 313 6609, email: fbates@sfc.ac.uk.

Annex A: UIF national outcomes for AY 2017-20

Seven outcomes have been identified as areas where, over academic year 2017-20 universities will demonstrate progress. These outcomes are:

Outcome one (demand stimulation): working with Scotland's Enterprise Agencies (EAs), Scottish Government, business networks, Interface, and others, Scottish HEIs will have helped to increase the demand and quality of engagement from businesses and the public sector for university services.

Outcome two (simplification/commercialisation): in partnership with the EAs and Interface, Scottish HEIs as a sector will have demonstrably simplified business access to the knowledge and expertise in Scottish universities.

Outcome three (simplification/greater innovation): in partnership with the EAs and Interface, Scottish HEIs will, at a national level, have made strategic use of their sectoral knowledge to promote greater innovation in the economy (including beyond non-STEM).

Outcome four (entrepreneurialism): Scottish HEIs as a sector will have made a significant and positive change in the way entrepreneurial opportunities are promoted and delivered to students, HEI staff, and businesses.

Outcome five (international): in partnership with Scottish Development International, Connected Scotland and others, Scottish HEIs will have pooled their knowledge and networks, and shared good practice to promote and engage Scotland internationally (operating under Scotland's International Framework).

Outcome six (inclusive growth and social impact): building on current and good practice, Scottish HEIs will have scaled up their support of the Scottish Government's ambitions for inclusive growth.

Outcome seven (equality and diversity): building on current and good practice, HEIs will have ensured positive promotion of equality and diversity in staff and all who are affected by the use of the UIF.

These outcomes are aligned with the [Scottish Government's economic strategy](#), [Universities Scotland 5 point action plan](#) and the [Scottish Government's 'Innovation Plan'](#) published in January 2017.

Annex B: University Innovation Fund allocations AY 2018-19

Institution	University Innovation Fund for AY 2018-19 £
University of Aberdeen	1,885,000
University of Abertay Dundee	450,000
University of Dundee	1,177,000
Edinburgh Napier University	738,000
University of Edinburgh	2,132,000
Glasgow Caledonian University	552,000
Glasgow School of Art	447,000
University of Glasgow	2,150,000
Heriot-Watt University	891,000
University of the Highlands and Islands	931,000
Open University in Scotland	383,000
Queen Margaret University, Edinburgh	534,000
Robert Gordon University	662,000
Royal Conservatoire of Scotland	393,000
SRUC	1,591,000
University of St Andrews	934,000
University of Stirling	634,000
University of Strathclyde	1,715,000
University of the West of Scotland	479,000
Total	18,678,000

Annex D: Methodology for Allocating Knowledge Transfer Grant

Introduction

1. This document describes the methodology for deriving the allocations from the Knowledge Transfer Grant (KTG), which was last allocated in 2015-16.

Weighted Knowledge Transfer Income

2. The allocations of KTG were informed by weighted three-year averages of knowledge transfer income, derived from SFC's Knowledge Transfer Metrics returns. The income was updated each year to take account of the latest KT Metrics Return.
3. The income was weighted depending on the type of activity for which the income was received. In addition if the income came from a Scottish SME the weighting for the relevant activity was doubled. The weightings used were:

Activity	Weight	SME Weight
Outreach	5.00	n/a
Enterprise Schemes	4.00	n/a
Consultancy	3.50	7.00
CPD	2.50	5.00
Research	2.25	4.50
Licensing	1.50	3.00
Translational	1.50	n/a
Venturing	1.00	n/a

Allocation Method

4. The method of allocating the Knowledge Transfer Grant for 2016-17 was:
 - Each institution was given a baseline allocation of £250K
 - The remainder of the grant was split in proportion to each institution's weighted three-year average knowledge transfer income.