

## CONSULTATION RESPONSE

# SFC consultation: Knowledge Exchange and Innovation funding policies

Connor Mckenzie, Head of Policy and Research

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### **QUESTION 1: HOW SHOULD THE OUTCOMES FRAMEWORK CURRENTLY IN PLACE FOR UIF EVOLVE TO ENSURE UNIVERSITY KEIF IS STRUCTURED TO DELIVER ON ITS RENEWED PURPOSE AND HAS THE RIGHT STRATEGIC DRIVERS AND INCENTIVES IN PLACE?**

1. MillionPlus expects the KEIF outcomes framework to coherently link with other parts of the KE&I ecosystem, and avoid duplication and limit unnecessary complexity.
2. UIF Outcomes 1, 2 and 3 (Demand, Stimulation, Simplification) should evolve to become KEIF core agenda, aligned with national strategies as listed in the Scottish Government's National Strategy for Economic Transformation, and anticipated Innovation Strategy. In addition, we encourage alignment with strategies from stakeholder organisations or activities including Scottish Enterprise, Innovation Centres, Interface, and the proposed SFC Missions, enabling a truly coherent KE&I ecosystem to deliver on shared outcomes.
3. UIF Outcome 4 (Entrepreneurialism) is an incredibly important part of KE&I at Scottish universities, but to avoid duplication the outcomes should be encompassed by the proposed Entrepreneurial Campus Strategy.
4. UIF Outcome 5 (International) should be aligned with the Scottish Government Inward Investment Plan, including facilitating a more coherent relationship with SDI and other stakeholders.
5. UIF Outcome 6 (Inclusive Growth and Social Impact) should be reflected through enabling universities to define own outcomes and objectives within the KE&I framework, aligned to institutional, regional, and national agendas. Each university in Scotland is unique in terms of place and specialism, and the KE&I framework should celebrate and promote this diversity.
6. UIF Outcome 7 (Equality and Diversity) should be embedded throughout all KE&I activity, reflecting each individual HEIs missions around EDI.

### **QUESTION 2: WHAT ARE YOUR VIEWS ON THE CURRENT UIF COLLABORATIVE FRAMEWORK, HOW COULD THIS EVOLVE AND BE SUSTAINED TO SUPPORT FURTHER GOOD PRACTICE AND PURPOSEFUL COLLABORATION? IS THERE A ROLE FOR THE KNOWLEDGE EXCHANGE CONCORDAT IN THIS CONTEXT OR MORE GENERALLY?**

7. Modern universities play a crucial role in their regional economies, collaborating with a wide range of partners and supporting local businesses to thrive. The current system has its merits but arguably does not go far enough to incentivise universities to engage in purposeful collaboration. One of the issues here is that the funding structures and collaborative framework are not "place-sensitive". Universities in different geographical areas interact with different local innovation eco-systems.

8. The Knowledge Exchange Concordat is a key tool to inform and enhance KE culture, practice and process, while recognising and celebrating the diversity and heterogeneity of each individual university. MillionPlus believes therefore that there could be a role for the KEC in this context. This may be best served if is embedded in the UIF collaborative framework in a way that is not too prescriptive, but rather as a useful tool for those institutions in Scotland to use who can gain value from it.
9. The three Scottish universities that participated in the KEC Development Year agree that KEC has helped embed KE across their institutions; it has raised the profile of KE to be more on a par with research; KEC enables institutions to be targeted and specific on their KE priorities, and supports delivery on critical aspects of capacity building, continuous improvement, and evaluating success.

**QUESTION 3: WHAT ARE YOUR VIEWS ON HOW THE IMPACT AND OUTCOMES OF UNIVERSITY KEIF SHOULD BE MEASURED, INCLUDING THE ROLE OF METRICS OR OTHER INDICATORS IN ANY FUTURE FUNDING AND ALLOCATION MODEL? WE WOULD WELCOME VIEWS ON CURRENT OR POTENTIAL GOOD PRACTICE REGARDING MEASURING NET-ZERO KE&I ACTIVITIES AND OUTCOMES.**

10. MillionPlus believes that metrics can be useful in gaining some perspective on the impact and outcomes of institutions. But all metrics have limitations. We would encourage metrics that focus on the volume of engagement over the volume of income generated. This is because the former offers a better reflection of how deeply embedded an institution is within its local communities. Indeed, the nature of local innovation eco-systems today in Scotland are highly complex, with a multitude of actors that are interconnected. Volume of engagement, measured for example by the number of SMEs or other local actors that are engaged with, better captures the civic "reach" of an organisation.
11. Most importantly in the development of metrics, there should be a focus on the impact of KE activity. This should be the main determinant of an evaluation of performance. Income figures only show part of the picture of KE impact. Impact is more than just the number of pounds generated and evaluation methods may need to operate more broadly to account for this. MillionPlus appreciates that this is not a straightforward thing to capture. It may indeed require a mixture of quantitative and qualitative evidence to make a judgment on this. The impact statements in the REF offer one example of how impact is considered in a qualitative sense, and therefore more holistically.
12. The focus should always be on impact within the UIF, and this should take precedence over metrics that relate to income generated or research quality. The problem with the latter is that they can simply reward institutions who are located in more prosperous areas of Scotland. This risks simply perpetuating inequalities between regions, communities and institutions through what is sometimes referred to as the Matthew Effect:  
  
*"For to every one who has will more be given, and he will have abundance; but from him who has not, even what he has will be taken away."*
13. This is not to suggest that there should not be a measure of performance within the metrics. Evidently there needs to be some form of measurement that promotes good practice and incentivises improvement amongst providers. But MillionPlus believes there is a balance to be struck here. Based on this assessment, MillionPlus would advocate for the platform grant through UIF to be doubled, from £250k to £500k. MillionPlus believes this would be the best way to ensure that funding is evenly spread across the country and to mitigate against the significant concentration of funding resources in Scotland, a pattern that is typical across the whole of UK higher education. This will support institutions to think more strategically and plan effectively with respect to their knowledge exchange activities. It is important not to forget the developmental side of investment here that is critical in terms of giving institutions the

space and capacity to contribute towards driving innovation in a way that is truly transformational for their locality.

14. This is all the more important because the UK is now losing access to European funding streams that have acted as a vital source of investment in local innovation systems, namely European Regional Development Funds (ERDF) and European Social Funds (ESF). Both these sources were utilised to support initiatives and programmes that increased innovation in regions across Scotland. It is important to note that these funds were explicitly focused on tackling regional inequalities through the principle of convergence. That is to say, the allocation of funding was place-based. Moreover, these funds also worked on long-term cycles. This afforded institutions a flexibility to plan strategically, including in how to direct efforts in knowledge exchange activity.
15. To give one illustrative example, European Structural and Investment Funds played an instrumental role in the foundation of the University of the Highlands and Islands (UHI). In the early 1990s, the idea of a university spanning such a rural and complex geography would to many have seemed farfetched. Now though the university stands as a pillar of the regional economy engaged in multiple different knowledge exchange activities. As one representative of this institution remarked in a blog on the MillionPlus website:

*"The ability to plan strategically through this synergistic approach, instead of a scatter-gun series of more opportunistic projects, is crucial. This has allowed our university to maximise the benefit from EU investment in the longer-term, through economies of scale and sequence planning. Simply replacing individual allocations of funding on a piecemeal basis will not achieve the same result. Such strategic planning has facilitated collaboration on EU initiatives across different regional partners (local government, regional economic development agency, voluntary sector) as well as with our counterparts in other member states - and lead to greater benefits for us all"<sup>1</sup>*

16. The loss of access to place-sensitive, flexible European funding streams means it is more important than ever that the SFC enables institutions to be strategic through the UIF/KEIF. This is why we think this principle should be brought to the fore in UIF funding. This is the rationale for doubling the platform grant for institutions, as it will encourage free up space for more developmental investment in KE activity for institutions. This is particularly important for smaller universities in Scotland, while there is significant disparity in resource and infrastructure across the country, the startup costs for a lot of KE activity remain the same for all institutions. All universities in Scotland are high quality and have years of expertise in engaging effectively in knowledge exchange and innovation. One of the greatest barriers to expansion of this is resource and the startup costs involved in developing more long term and wider-reaching projects. An uplift in the platform grant could remedy this by opening up capacity across the sector and maximizing investment while keeping administrative burden low.
17. MillionPlus welcomes the development of metrics that encourage net-zero initiatives, although these must be robust. The risk here is that institutions respond to such measures and there it provokes a certain degree of gaming within the system to organise around these priorities. If the net result of such an approach were to be in tension other priorities, this would be counterproductive. If new funding incentives, despite noble intentions, simply result in a further concentration of funding by geographical

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<sup>1</sup> Stewart L. (2017) "Universities, Brexit and European Structural Funds – what next?" MillionPlus <http://www.millionplus.ac.uk/news/blog/guest-bloguniversities-brexit-and-european-structural-fundswat-next>

region or by institution type, then this would be contrary to some of the stated aims of government in terms of regional development, and of the SFC in relation to sustainability of the Scottish HE system.

18. MillionPlus has welcomed parts of the Knowledge Exchange Framework that have been introduced through Research England. The aspect that we endorse is a general guiding principle of trying to focus on relative performance of institutions in England. That is to say, institutions are to be evaluated in relation to reasonable comparators. This has led to a cluster approach being developed which splits the sector up into relevant groupings or clusters which are determined by size of institution and other KE variables, most of which are derived from the HE-BCI database.
19. Although this approach is not perfect, it nevertheless compares institutions in a fairer way than if absolute measurements were made across the sector. It acknowledges that you shouldn't compare apples to pears. Both are valuable and should be given an opportunity to demonstrate their performance in a way that is not unduly affected by historic and structural disparities in the sector. An overemphasis on ranking the whole of the sector or projecting hierarchy by other means is a barrier to sharing good practice and purposeful collaboration.
20. It is perhaps true that a clustering approach would not be practical in Scotland, due to the large difference in the sizes of the sector. The scale of the English sector lends itself to this approach, but some of the clusters include almost as many universities as there are in Scotland all together. With this in mind, it might be wise to adopt more of a benchmarked approach to evaluation in Scotland. This would mean that institutions are competing primarily against themselves, which is more likely to create an environment of collaboration with other regional partners, including what might be seen traditionally as direct "competitors" such as neighboring universities and colleges.

#### **QUESTION 4: HOW COULD THE UNIVERSITY KEIF, WITH INTERFACE, HELP SUPPORT COLLABORATION WITH COLLEGES, COLLECTIVELY SUPPORTING SCOTLAND'S SME BASE TO BE MORE INNOVATIVE?**

21. There are effective examples of how collaboration can work in Scotland across the wider tertiary system. Modern universities have built up very effective partnerships with FE colleges in respect to their teaching activity and articulation pathways have proved an extremely successful way of supporting learners widening participation to university. Some of the principles of this collaboration should be taken forward into the UIF where possible. Indeed the direction of travel in the SFC appears to be further integration of the tertiary system, not least through the development of a tertiary quality assurance system. Although this is a distinctly different part of university activity, it is important that these different components are joined up effectively as this will help to promote collaboration in the KE space.
22. As mentioned in our response to question 3, an overemphasis on ranking, especially through any absolute metrics, is counterproductive to promoting collaborating between different educational institutions. Anything that further entrenches hierarchy in the system risks disincentivizing collaboration between those being ranked.
23. With respect to encouraging collaboration with business, the principle of focusing on impact within the methodology and evaluation structures of the UIF is critical. This is essentially what most businesses value above anything else. Interface already do a lot of good work in promoting university-business links and showcasing the work that is going on at present. The more evidence that can be collated and shared at a local level will help to increase collaboration with SMEs. There is equally some work that could be done through national organisations to promote awareness of the different funding streams and opportunities that are available to SMEs. This would be helped by more targeted communications work.

One of the problems for SMEs is that they often do not have bandwidth or capacity to seek out opportunities and explore what is available to them. Consequently, there is serious untapped potential across Scotland that could benefit from more collaboration if only more SMEs were given support to find and pursue opportunities through an organization like Interface.