



Consultation Response

Response to SFC Knowledge Transfer Grant consultation

General comments

Universities Scotland is pleased to respond to SFC's current consultation, SFC/CN/01/2014, on the Knowledge Transfer Grant. Our response has been developed through discussion with our members and the sharing of early drafts of their responses. Their institutional responses will reflect the wide diversity of their research and knowledge exchange activities. Our response is based on collated, consensus or majority views amongst our members, but we would ask SFC to note particularly the concerns and ideas of individual institutions. One common theme running through institutional responses to many of the questions is the need for very clear guidance from SFC, both to those submitting data and information to SFC, and to SFC's Outcome Agreement teams when discussing KE issues with institutional staff.

We would like to stress the importance of the Knowledge Transfer Grant (KTG) to the Scottish HEI sector. The KTG has to date been a long-term, flexible funding stream to support knowledge exchange activities, including commercialisation of research, in a rapidly evolving landscape. While taking into consideration the Scottish Government's priorities, the grant provides institutions with the freedom to determine which activities best meet their aims and to build on their existing strengths. These activities require significant time and resource, much of which is supported by the KTG. KTG provides capacity to support almost 30000 contractual engagements per annum, half of them with SMEs.

The formulaic part of KTG is driven by success, as shown by the KT metrics. Given the importance of the KTG, we believe that stability of funding is critical, and as such, should be allocated on a minimum 3 year basis rather than the current yearly cycle. This will enable our members to more effectively plan the efficient use of resources and provide more consistency in how they support KE and impact generating activities. In 2009-10, there was a 29% drop in formulaic KTG from the previous year's high point of £21m to £15m; since then it has fluctuated, but has not risen above those levels. In the same period, KT income, as reported in the metrics, has risen from £360m to £436m. This suggests that there is still scope for additional KE growth and that therefore formulaic KTG should grow to incentivise, support and reward such activities.

This is the second time the sector has been consulted in as many years and the document indicates further reviews of KTG and its relationships with the Outcome Agreements will be

required. This frequent review results in uncertainty within the sector and inhibits long-term strategic planning on the use of KTG by our members. We would encourage SFC to complete all reviews as soon as possible and then commit to a period of stability.

Q1 Views are sought on the proposed model - in particular whether:

- Both Table 1 (income) and Table 2 (activity) should be included in the formula for allocating funding or whether the model should be focused on the income metrics in Table 1 with the activity metrics considered in the Outcome Agreement process?
- If including both sets of measures, whether these should be weighted equally?

We welcome the simplified tables and the increase to the fixed element of the KTG, and agree that wherever possible reporting to the SFC and HE-BCI should be harmonised. We are pleased to see that the tables recognise both the volume of interactions and the income from them. Most of our members see the merit in recording the activity data in Table 2, but there is a lack of consensus over whether this should be included in the formula for allocating funding, or in Outcome Agreements. Some are concerned that these figures lack the robustness of income data used in funding algorithms, while others are concerned that measures of innovation activity do not lend themselves readily to Outcome Agreements. It should also be noted that the data required in Table 2 strongly favours STEM subjects over social sciences, arts and humanities disciplines, and over emerging sectors such as creative industries or tourism; this implies that weighting of different metrics should be very carefully designed.

Several members point out that European Union Structural funding income is no longer asked for, and one suggests this could be easily included in Table 1, as it is already a requirement for Table 3 of the HEBCI return. More broadly, our members have voiced concerns that some of the deleted categories do not offer routes to funding on a FEC basis; SFC should explore this in light of members' comments in their returns before taking forward change lest they introduce a disincentive to engagement with important routes to KE.

Greater clarity would be welcome on whether in-kind contributions to collaborative projects, and collaborative income relating to Research Councils should be reported, as in the HE-BCI returns. The inclusion of Horizon 2020 funding under the collaborative metric is welcome, but again, greater clarity would be welcome as to whether this is restricted to institutions leading such projects. We would also welcome greater clarity on whether international CPD partners beyond Europe are eligible for inclusion in these metrics.

If both sets of measures are included in formulaic funding, then the balance of opinion is for equal weighting, with some members preferring a higher weighting for Table 1.

Q2 As set out in paragraph 23, the SFC will continue to investigate proxy measures for the other strategic priorities of supporting public and cultural engagement and engaging with and

contributing to public policy development and innovative public sector delivery. Do you have any suggestions regarding measures that could be used for this purpose?

There is general agreement that in the absence of robust metrics, it is more appropriate to capture evidence of such activities through the Outcome Agreement process, but only where there are significant outcomes and actions to report; this should not be a requirement of all institutions. There are many 3 year Outcome Agreements already in place and this could be integrated over time given that SFC received cultural engagement strategies when the KTG baseline grant was introduced. However, this should not mean that public and cultural engagement are marginalised by activities with a direct economic impact to industry. We welcome the SFC's continued commitment to support all forms of knowledge exchange through the KTG, and argue that excellence in any field should be recognised and rewarded. Several of our members cite the value of impact statements, such as prepared for REF 2014, in capturing the value of KE activities with little or no direct economic impact.

Several of our members, especially Small Specialist Institutions, have suggested potential metrics for policy and cultural engagement, and these are explored more fully in their responses.

Although there have been more recent investigations of potential metrics for cultural engagement, SFC should note the 2006 report of Universities Scotland's Cultural Engagement Metrics Working Group, which concluded that "*Cultural engagement metrics should only be collated and submitted if the cost of doing so is proportionate to the value of any resulting grants*". Indeed, it was as a result of this report that SFC introduced the baseline KTG of (then) £70,000, with the explicit aim that some of this should be used to support public and cultural engagement; that explicit aim has since been dropped.

Q3 Do you have any comments or views which may help SFC work with the sector to ensure robustness of the HE-BCI data?

The financial elements of the HEBCIS return are already robust and therefore could be readily used to inform the allocation of KTG. Concern around the robustness of the HE-BCI is focused on the non-financial elements, in sections that are often ambiguous and open to different interpretations by the very diverse institutions submitting responses. If SFC wishes to use these there needs to be further engagement with the sector to clarify and share interpretations.

HE-BCI data will become more robust once the direct link to KTG funding is introduced. SFC can assist by publishing detailed guidance, and ensuring that officers are available to answer specific questions raised by HEIs. Publishing any such responses publicly would also be helpful. For instance, should research involving funding from Scottish Government departments be reported under 1b or 1d of HE-BCI table 1? How should project income from the SFC be reported, if at all (e.g. relating to Innovation Centres or innovation vouchers)? And

what constitutes 'formal business/enterprise support from the HEI' to support graduate start-ups?

It will be important that the SFC's requirements correspond as closely as possible to HE-BCI, as recommended in appendix 2. There are subtle differences between Table 1 in the consultation paper and HE-BCI: where one asks for 'collaborative research income', the other has 'collaborative research funding involving public funding'; where one has 'research contract income', the other has 'contract research' (arguably a narrower definition); where one has 'CPD', the other has 'CPD and Continuing Education'. Reconciling these differences, however subtle, should prevent confusion and result in more accurate statistics.

Q4 SFC would welcome your views on the two options set out at paragraph 28?

- Option 1 – Use data from 12-13 (submitted Nov 13 corrected following thorough investigation of obvious anomalies) and data for 13-14 (to be submitted Dec 14) in the allocation of 15-16 KTG, moving to a three year average from 2016-17
- Option 2 – delay implementation of the revised model until 2016-17

The balance of opinion among our members is in favour of option 1, but there is a general agreement that any implementation should be carefully modelled before introduction, and some flexibility allowed in its first year of operation.

Q5 Do you have any views on the proposed definitions and weighting [of metrics]?

Most of our members are in favour of the double weighting for Scottish SMEs, but they would welcome further precise guidance on the definitions of Scottish SMEs. Those members not in favour of the double weighting for Scottish SMEs are concerned that it may drive short term SME contracts that could be serviced by the private sector, with a view to gaining increased KTG grant, therefore creating economic displacement. These points are explored more fully in their responses.

Q6 Do you have any further comments on the proposed two-pronged approach [through metrics and Outcome Agreements] to monitoring and allocating the KTG which aims to reduce the burden on institutions while being more closely aligned to the priorities of SFC, the Scottish Government and the KTG?

It is appropriate to include consideration of knowledge exchange and innovation activities through the outcome agreement process. It is a natural step to include within the outcome agreement reflection of the priority to support public and cultural engagement, development of public policy and innovation in public service delivery as proposed. The outcome agreement process could also usefully provide additional context around licencing and developments to support spin-outs and start-ups.

Outcome Agreements must continue to be institution specific and reflect agreed priorities and Knowledge Exchange strategies. However, there must also be a consistent approach by Outcome Agreement Managers across the sector when discussing Knowledge Exchange with

institutions, and this must be made explicit in any guidance. Outcome agreement teams should recognise that increased KE activity will take time and that there will be an inevitable delay between any new initiative and its reflection in data.

SFC should note the more general concerns raised by our members over Outcome Agreements and guidance for their use, in particular the tendency to make changes to OAs and guidance despite the intention to move towards a three-year reporting cycle. Many OAs are already 3 year documents and the clear request from the sector has been for stability. Their concerns are also reflected in member's responses to the KTG consultation, and several call for flexibility in the first year of newly-introduced changes while SFC and HEIs adjust to the changes.

We welcome SFC's intention of simplifying reporting requirements, but since reporting will still involve 3 separate routes for the KTG (HEBCI, Tables 1 & 2 and Outcome Agreements) the proposed new system will do little to reduce the overall burden of reporting by individual universities, and that may well be an opportunity missed. In practice it will only provide robust data through consistent, time consuming articulation between the different areas of a university supporting research, finance and knowledge exchange and also with senior staff directly engaged in Outcome Agreement discussions with the SFC.

As a medium- to long-term goal the reporting cycle for KTG and HE-BCI should be aligned to ensure reporting exercises can be returned efficiently.

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