

Cylchlythyr | Circular

Consultation on implementing the Research Wales Innovation Fund

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To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in
Wales
Response by: 26 July 2019
Contact: Name: Emma Morris
Telephone: 029 2085 9664
Email: emma.morris@hefcw.ac.uk

This is a consultation on the implementation of a new fund in support of innovation and engagement activity at Welsh universities from 2020/21. The new fund will be known as the Research Wales Innovation Fund.

If you require this document in an alternative accessible format, please email info@hefcw.ac.uk.



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Introduction

1. This circular sets out the proposals for the implementation of a new funding scheme to support of innovation and engagement activity at Welsh higher education institutions. HEFCW would welcome the views of key stakeholders to assist in shaping the new Research Wales Innovation Fund which will be implemented in 2020/21. Responses to the consultation should be submitted using the Consultation Form attached as **Annex A** by **Friday 26 July 2019**.

Background

2. As a consequence of the introduction of the full-time undergraduate fee grant HEFCW took the decision to withdraw Innovation and Engagement Funding (IEF) in 2013/14. The fund had previously made available (in the region of) £8m per annum to support higher education institutions (HEIs) in their knowledge exchange; supporting economic, social, and cultural growth across Wales and beyond. HEFCW is now in a position to reinstate support for innovation from 2020/21 and this was announced more widely through [circular W18/24HE Consultation on changes to the funding methods for 2019/20 and future developments](#).
3. This circular outlines proposals for a new scheme which will support and enhance innovation and engagement activity in Wales. In March 2019 HEFCW Council agreed that the Research Wales Innovation Fund (RWIF) will commence in 2020/21 with an agreed *in principle* budget of £15m. RWIF will be designed to meet the ideals and recommendations of recent reviews of funding e.g. the [Diamond Review of higher education funding and student finance](#) and the [Reid Review of government funded research and innovation in Wales](#). Through the consultation response document attached at **Annex A** we are seeking stakeholder views on the proposed requirements including the model of delivery and funding metrics.

Knowledge Exchange Performance in Wales since 2013/14

4. Between 2013/14, when IEF was withdrawn, and 2016/17 total income reported in the annual Higher Education Business and Community Interaction survey (HE-BCI) by Welsh institutions fell by -24%. There may be a number of reasons for this e.g. the cyclical nature of European structural funding which currently underpins innovation activity Welsh universities. However, there is potentially a link to the withdrawal of IEF funding which had been used to underpin knowledge exchange activity in Wales.
5. England, Scotland and Northern Ireland all provide formula driven innovation funding (England and NI HEIF / Scotland's University Innovation Fund). Additionally England and Northern Ireland provide hypothecated collaborative project funding in support of regional and UK economic priorities. Initiatives include England's [Connecting Capability Fund](#) a £100m investment by Research England to support collaborations and contribute towards the delivery

of the UK Government's Industrial Strategy; and the [Innovation Centres](#) in Scotland which receive significant investment from the Scottish Funding Council and aim to bring together academia and business in key strategic areas.

Recommendations of the Diamond and Reid Reviews

6. The Diamond Review (2016) recommended that Innovation and Engagement funding be reinstated in Wales. The report noted that investment in innovation generated significant knowledge transfer income in England (£7.90 generated for every pound invested). It recommended that HEFCW provide support of £25m split between formula investment in the base (£20m, through hubs led by the larger institutions), and project funding linked to specific economic priorities (£5m).
7. The Reid review into government funded research and innovation in Wales (2018) agreed with this recommendation but felt that changes in the wider political landscape would favour funding distributed to all HEIs in Wales on the basis of performance metrics. This would **incentivise and reward** *'universities to attract the highest levels of external income through collaborations with businesses and other partners'*. This ideal is a central tenet to the proposed delivery and funding models developed for RWIF which are now under consultation.
8. Both Diamond and Reid recommended that a reinstated Innovation and Engagement fund should have an annual budget of £25m. However, given the limits to the availability of HEFCW funding 2020/21 we have looked to improve knowledge exchange performance in Wales by investing a level of funding which creates more parity with other parts of the UK and results in improved economic and social outputs. As such in March 2019 the Council agreed an *'in principle'* annual budget of £15m.
9. As noted the RWIF funding is *'in principle'* only and will be subject to change based on budgetary amendments and unknowns such as the future recommendations of the [Augar Review](#).

Models for the distribution of funding

10. As noted, Reid further developed the original Diamond recommendations in the context of his more detailed remit to review research and innovation funding in Wales, and advocated allocations to all HEIs based on performance metrics. The previous Welsh IEF allocated the majority of funding through performance based metrics (income and other non-income measures), with an element reserved for collaborative projects. Disappointingly none of the collaborative IEF projects proved to be sustainable in the long-term, and legacy and sustainability would need to be addressed within any RWIF hypothecated funding requirements/plans.

11. In view of the changing landscape and priorities across Wales and the UK we are proposing two methods of distribution be considered in this RWIF consultation. These are:
- a) Allocate the whole £15m each year, initially for three years, based on a formula which both rewards and incentivises performance. This method would pump-prime activity and capacity, enabling institutions to build up their base following several years of underfunding. At the end of the three year period HEFCW would review outcomes and consider whether to modify the metrics to further reward performance / make use of new [Higher Education Business and Community Interaction](#) data [currently under review by HESA], or move to a similar model outlined in (b);
 - b) Split the funding into two pots – some funding would be allocated via formula (as above) with the remainder used to support the establishment of collaborative innovation hubs. The Reid Review recommended the creation of three industry-led innovation hubs in the first instance, each aiming to raise £5-10m annually together with partners such as the City Deals, Sector Deals, Catapult Centres and Innovate UK to seize specific economic opportunities in Wales. Although hubs could be anchored in universities they might be overseen by former private sector managers.

However, it is clear there is insufficient funding available in RWIF to achieve this level of ambition and it was Reid's recommendation that the hubs would be funded by Welsh Government through a new St David's Investment Fund.

12. In light of underfunding of the Innovation and Engagement base since 2013/14 stakeholders submitting to the consultation may wish to consider any potential implications in moving directly to model (b) in 2020/21.

Proposed Metrics for Distributing RWIF

13. In determining suitable metrics we propose that the RWIF reflect two key principles:
- the Reid ideal of both incentivising and rewarding performance, in particular external income capture through collaborations with businesses and other partners;
 - assessment of performance via the [HEFCW national measures](#) which have been widely consulted on and agreed with stakeholders.
14. The proposed RWIF metrics are based on the agreed HEFCW National Measures for Innovation and Engagement. The metrics are primarily income based, with the addition of spin-off, graduate start-up, and CPD performance. All data is provided via the [Higher Education Business and Community Interaction](#) (HE-BCI) survey, the UK's primary source of intelligence in terms of the contribution institutions make to the economy and wider society. Data which will be used in the funding models is outlined below in Table 2. Further details on how the metrics will be calculated are provided in **Annex A** (Question 6).

Table 2 – Data used in proposed RWIF funding models

HEFCW National Measure	Data used in proposed RWIF funding model
Continuing professional development	Total number of learner days delivered for continuing professional development and continuing education (HE-BCI Tables 2c)
Total HE-BCI income	Collaborative research (HE-BCI table 1a)
	Contract research (HE-BCI table 1b)
	Consultancy (HE-BCI table 2a)
	Continuing professional development (HE-BCI table 2c)
	Facilities and equipment related services (HE-BCI table 2b)
	Intellectual property (HE-BCI table 4c)
Spin-offs	Spin-offs still active which have survived at least three years (HE-BCI table 4d).
Graduate start-ups	Start-up activity (graduate) still active which have survived at least three years (HE-BCI table 4d)

15. All data to be used in the proposed RWIF funding models will be subject to audit as part of the provider’s internal audit process and by HEFCW’s appointed external auditor.
16. In addition to the use of a metrics driven funding allocation funding we are proposing to provide all institutions with a baseline Capacity Grant of £250k each (£2.25m in total for Wales). This is intended to ensure less volatility and more stability across HEI functions. This funding should represent a meaningful amount which maximises the potential for economic and social impact.

Proposed RWIF funding models

17. We have provided two funding models at **Annex B** which outline institutional allocations based on a combination of capacity grant and formula allocation for the total funding available (in principle £15m). These allocations are indicative only and a different distribution model (e.g. the addition of hypothecated funding) will clearly result in different outcomes. *To note, any agreed formula will be recalculated in 2020 to take account of the latest data from HE-BCI.*
18. The Reid Review specifically recommended a reinstated innovation and engagement fund be distributed on the basis of performance metrics linked to external income capture. As such we have included two total income measures, which are weighted more highly than the three remaining non-income measures. In **Annex B** Model 1 has income measures weighted at x2, and in Model 2, they are weighted at x4. Stakeholders responding to the consultation

should consider whether moving directly to Model 2 will achieve Reid's aims given the underfunding of the sector since 2013/14.

19. In order to use HE-BCI income data to both incentivise and reward HEI performance we are proposing to calculate the two total income measures in different ways. The first is to divide income by FTE academic staff as this incentivises performance at all institutions irrespective of size; the second method is to apportion RWIF funding based on actual £ performance in order to reward total external income capture.
20. The proposed models are formulated using data from three years of HE-BCI returns. To incentivise the most up-to-date performance these years are weighted 2:3:5. The RWIF model would be re-run annually based on the latest data, and it is proposed that, based on performance, institutions could be subject to a maximum increase of 30% or maximum decrease of 10% of funding.
21. Although the UK Open University submits data to the HE-BCI return it is not disaggregated across the four UK nations. To ensure that the Open University in Wales is not penalised by RWIF metrics we propose to pro-rata its performance against the UK Open University HE-BCI return aligned to the proportion of student numbers in Wales. We have specifically requested stakeholders submitting to the consultation give consideration to any alternative models which could be considered.

Strategies and planning

22. Previously HEFCW allocated IEF following the submission of approved Innovation and Engagement strategies, plus separate collaborative project plans. This is similar to the current processes in England and Northern Ireland. The Scottish Funding Council receives annual University Innovation Fund plans, and monitors through its Outcome Agreement process.
23. We are proposing that the receipt of any RWIF funding will be contingent on the submission and approval of three-year strategies. Whilst strategies would need to reflect institutional mission, they would also be required to align with HEFCW's *Research and Innovation: The Vision for Wales*, which will be published shortly. The Vision is broad and includes reference to additional activity areas such as e.g. Civic Mission, HE-FE collaboration, the skills pipeline, entrepreneurship etc. Institutions would be asked to report annually against their performance in the HEFCW National Measures for Innovation and Engagement.

Consultation Workshop

24. We are arranging a workshop to discuss the proposals for the RWIF on **Tuesday 11 June 2019** between **11am and 3pm** in Cardiff. We have already notified some colleagues in institutions that this workshop will be taking place.

Given limitations to attendee numbers, could those who wish to attend formally confirm with sheridan.nott@hefcw.ac.uk as soon as possible.

Timetabling

25. We have developed a timetable outlining our expectations during the consultation and planning period. However, given even minor issues could create delays, these dates are indicative only. With that caveat, it is our intention to be able to make the first payment of RWIF to institutions in October 2020.

May 2019	<ul style="list-style-type: none"> • HEFCW Council – RWIF formula modelling • Publication of consultation
June 2019	Workshop with stakeholders (details TBC)
End July 2019	Submission of consultation responses
August 2019	Analysis of consultation responses by HEFCW
September 2019	HEFCW Council – analysis of consultation findings
October 2019	<ul style="list-style-type: none"> • Research Wales Committee Meeting • HEFCW publishes consultations findings
November 2019	HEFCW Council – approval for finalised RWIF outline and delivery model
March 2020	Publication of 2020/21 allocations and guidance on RWIF – requests to HEIs for submissions of strategies and/or plans
May / June 2020	<ul style="list-style-type: none"> • Submission of institutional strategies and/or plans • Research Wales Committee Meeting
May- July	Strategy review process – details TBD
July / August 2020	Confirmation of strategies and funding for projects/hubs (if applicable)
October 2020	<ul style="list-style-type: none"> • First payment of RWIF • Report to Research Wales Committee on RWIF strategies and/or project/hub plans
November 2020	Report to HEFCW Council on RWIF strategies and/or project/hub plans

Assessing the impact of our policies

26. We have carried out an impact assessment screening to help safeguard against discrimination and promote equality. We also considered the impact of policies on the Welsh language, and Welsh language provision within the HE sector in

Wales and potential impacts towards the goals set out in the Well-Being of Future Generations (Wales) Act 2015 including our Well-Being Objectives. Contact equality@hefcw.ac.uk for more information about impact assessments.

Further information / responses to

27. For further information, contact Emma Morris (029 2085 9664; emma.morris@hefcw.ac.uk).
28. Those wishing to attend the workshop on **Tuesday 11 June 2019** should notify sheridan.nott@hefcw.ac.uk as soon as possible.
29. Consultation responses should be submitted to sheridan.nott@hefcw.ac.uk by midday on **Friday 26 July 2019**.

Proposed Funding Models for the Research Wales Innovation Fund

RWIF MODEL A - Income combined, weighting to income measures X2, (weighting per year 2-3-5)

(including OU using Wales as % of UK of student FTE as a measure)

250k minimum applied to each institution

Institution	Total funding via metrics	250k per institution	Grand total (£ actual)
University of South Wales	1,063,415	250,000	1,313,415
Aberystwyth University	1,170,637	250,000	1,420,637
Bangor University	1,918,268	250,000	2,168,268
Cardiff University	2,800,477	250,000	3,050,477
University of Wales Trinity Saint David	1,485,504	250,000	1,735,504
Swansea University	2,153,841	250,000	2,403,841
Cardiff Metropolitan University	1,311,362	250,000	1,561,362
Wrexham Glyndŵr University	501,170	250,000	751,170
Open University in Wales	345,326	250,000	595,326
Total	12,750,000	2,250,000	15,000,000

RWIF MODEL B - Income combined, weighting to income measures X4, (weighting per year 2-3-5)

(including OU using Wales as % of UK of student FTE as a measure)

250k minimum applied to each institution

Institution	Total funding via metrics	250k per institution	Grand total (£ actual)
University of South Wales	974,805	250,000	1,224,805
Aberystwyth University	1,144,082	250,000	1,394,082
Bangor University	1,912,647	250,000	2,162,647
Cardiff University	3,120,804	250,000	3,370,804
University of Wales Trinity Saint David	1,098,763	250,000	1,348,763
Swansea University	2,533,009	250,000	2,783,009
Cardiff Metropolitan University	1,134,455	250,000	1,384,455
Wrexham Glyndŵr University	445,605	250,000	695,605
Open University in Wales	385,828	250,000	635,828
Total	12,750,000	2,250,000	15,000,000

Source:

HESA HEBCI record 2015/16 to 2017/18

HESA Finance Record 2015/16 to 2017/18

HESA Staff Record 2015/16 to 2017/18

HESA Student Record 2015/16 to 2017/18

To note models are indicative only and any agreed formula would be recalculated in 2020 to take account of the latest data from the HE-BCI return.