

Consultation on implementing the Research Wales Innovation Fund 2020/21

1. Introduction

Responses to this consultation are invited from organisations, groups or individuals with an interest in the innovation, engagement, and skills agenda across Wales. Responses from organisations or representative bodies with high interest in the area under consultation, or likelihood of being affected most by the proposals, are likely to carry more weight than those with little or none.

The responses to this consultation will be analysed by HEFCW and reported to its Research Wales Committee and HEFCW Council. We will publish an analysis of consultation responses in autumn 2019. All responses may be disclosed on request, under the terms of the Freedom of Information Act 2000. HEFCW has a responsibility under the Act to decide whether the information we hold should be made public or treated as confidential, and therefore all responses received may be disclosed on request under the terms of the Act. We can refuse to disclose information only in exceptional circumstances. Therefore, responses to this consultation are unlikely to be treated as confidential except in very particular circumstances.

The **deadline** for responses to this consultation is midday on **Friday 26 July 2019**. Please direct any queries to Emma Morris, Senior Innovation Manager, at emma.morris@hefcw.ac.uk or 029 2085 9664.

To note, detailed information about total funding available, distribution methods, and the development of metrics are included in circular W19/13HE *Consultation on Implementing the Research Wales Innovation Fund*, and should be given due consideration prior to the submission of your response.

2. Respondent details:

<p>Please indicate who you are primarily responding on behalf of: <i>[click to select]</i></p>	<p><input type="checkbox"/> as an individual</p> <p><input type="checkbox"/> business / industry</p> <p><input type="checkbox"/> charity / third sector</p> <p><input type="checkbox"/> department or research group</p> <p><input type="checkbox"/> higher education provider</p> <p><input type="checkbox"/> public sector organisation</p> <p><input checked="" type="checkbox"/> representative body</p> <p><input type="checkbox"/> subject association or learned society</p> <p><input type="checkbox"/> Other (please specify):</p>
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3. Contact details:

To note, if you are responding as an individual you do not have to provide the following details.

Organisation:	PraxisAuril
Named contact: <i>[optional]</i>	<i>Tamsin Mann, Head of Policy</i> <i>(Tamsin.mann@praxisauril.org.uk)</i>
Would you be happy to be contacted with any follow-up questions?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

4. Distribution of Research Wales Innovation Funding (RWIF)

HEFCW intends to distribute funding in a way that both incentivises and rewards performance, whilst underpinning stability which will enable growth. We would welcome views on the methods of distributing the funding.

Which method of distribution would you recommend be adopted by HEFCW to distribute RWIF funds:	
Method of distribution:	Select preferred option:
a) Allocate all funding, for 3 years initially, based on a formula which rewards and incentivises performance.	<input checked="" type="checkbox"/>
b) Split funding into two pots – a percentage distributed by formula (as above), with the remainder provided to support collaborative innovation hubs. This would support the Reid review ¹ recommendation of Welsh Government funded industry led hubs ² .	<input type="checkbox"/>
c) Neither of the above.	<input type="checkbox"/>
<p><i>Please provide your reasoning for selecting a) or b) or provide further information on your preferred method if you have selected c). [max 500 words]</i></p> <p>PraxisAuril has long called for secure funding streams for knowledge exchange so that universities can plan for the longer-term, strategically investing in people and projects as well as taking opportunities as they arise according to their</p>	

¹ [Reid Review of Government Funded Research and Innovation in Wales](#)

² Reid recommended that 3 industry led hubs would be funded through the Welsh Government via the St David's Investment Fund. They would aim to raise £5-10m annually working with partners such as City Deals, Sector Deals, Catapult Centres and Innovate UK so seize economic opportunities in Wales.

research and knowledge exchange strengths (which include place). There is an acute need to rebuild capacity for knowledge exchange in Welsh universities, where lack of innovation funding has demonstrably affected performance in this area (as shown in annual HEBCI data). The aim of the current funding should be to create KE capacity and give Welsh universities the confidence to be ambitious in their KE activities, as is the case in England through HEIF and associated Industrial Strategy funding. Formula funding rewards performance and acts as a strong incentive, although care should be taken not create perverse incentives to the detriment of low or no-income generating KE which may have high social impact, for example.

Although industry-led hubs support demand-led knowledge exchange and can help to pull in more diverse sources of funding to support research and KE, there is a risk that their focus will not be aligned with universities, particularly in a region where KE strength is being rebuilt. If a hub model is adopted, HEFCW should ensure that universities are fully involved in creating their identity to create strong university-industry collaborations. Once the “pump-priming” phase of funding has passed this may be the right model going forward.

In the current economic and political climate, with the loss of EU project funding on the horizon, Welsh universities need to not only get back to where they were in 2014 but reinvigorate the Welsh KE landscape. Method A offers the best route to achieving this.

5. Proposed metrics for distributing RWIF – Capacity Grant

Within any funding allocated via formula HEFCW is proposing to provide a capacity grant of £250k to all Welsh higher education institutions (£2.25m in total). This is aimed at stabilising HEI functions and reducing volatility. It is intended to represent a meaningful level of funding which should maximise the potential for economic and social impact.

<p>What are your views on HEFCW providing a capacity grant to all HEIs?</p>	<p><input checked="" type="checkbox"/> Agree</p> <p><input type="checkbox"/> Disagree</p>
<p><i>Please provide further feedback on the reasoning behind your choice noted above:</i> [max 500 words]</p> <p>Responding to the Reid Review in 2017, PraxisAuril underlined the importance of a “<i>professional, skilled network in research institutions that can help to stimulate innovation, productivity and growth; locally and nationally for economic and social benefit and with a wide range of external stakeholders</i>”. There has been substantial under-investment in Welsh university knowledge exchange over the past 5 years. As highlighted in the Reid report, this under-investment has seen KE income decrease in contrast to increases across Scotland, NI and England. Restoring KE capacity and capability in Welsh HEIs must be a priority if Wales is to compete on an equal footing for UK-wide and international funding and research partnerships. The capacity grant will help to do that, enabling HEIs to be proactive and plan for the future.</p>	

This model of funding will ensure that all Welsh universities have an opportunity to restore knowledge exchange activity according to their mission, strategy and place-based opportunities. This speaks directly to the principles of the UUK Knowledge Exchange Concordat (under consultation).

6. HEFCW National Measures³ – proposed metrics

HEFCW has consulted widely on measures to review performance by higher education institutions across various policy areas. The National Measures relating to Innovation and Engagement, which are drawn from the [Higher Education Business Community Interaction Survey](#), therefore form the basis of all proposed metrics for RWIF. Further detail is provided in *Table 2* of the consultation circular.

To note, total income⁴ reported to HE-BCI is included in the list of proposed metrics as follows:

- total income by FTE academic staff - intended to incentivise performance irrespective of institutional size;
- total actual income - intended to reward performance.

Please provide your views on the suitability of each metric, and provide further narrative details below in 6b.

RWIF Proposed Metric	Does this metric support I&E activity and meet the Reid Review aim of incentivising and/or rewarding performance?				
	Agree	Somewhat agree	Somewhat disagree	Disagree	No opinion
Total income reported to HE-BCI per academic staff FTE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total actual income reported to HE-BCI (£ actual)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CPD/CE learner days delivered per academic staff FTE (HE-BCI table 2)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spin-offs ⁵ still active which have survived for at least three years (HE-BCI table 4) by research income	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

³ [HEFCW National Measures](#)

⁴ Total income includes: collaborative; consultancy; contract; CPD/CE; facilities and equipment; regeneration and development; licensing and other IP (excluding capital income).

⁵ Includes spin-offs with some HEP ownership, and formal spin-offs, not HEP owned.

(HESA - excluding QR)					
Graduate start-ups still active which have survived at least three years by UG FTE (HE-BCI table 4)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6b) Please provide further rationale for your thoughts on the metrics based on HEFCW National Measures:

- Do you think there could be potential for unintended consequences arising from the metrics?
- Are there any other robust data sources that could potentially be included for consideration of performance? [500 words]

HEFCW will be aware that metric to assess knowledge exchange activities are being scrutinised both by Research England under its KEF metrics exercise and pilots, and by the HESA in its review of HE-BCI data categories and collection (pending public consultation). PraxisAuril advises, therefore, that metrics for Welsh innovation funding are aligned with decisions made in other parts of the UK, including Scotland where innovation funding is also being reviewed. This will ensure that there is parity of measurement for HEIs but also clarity of outputs for external research users when it comes to assessing KE capabilities.

We have previously warned against creating short-term targets which can create short-term behaviours when metrics focus on income or numbers of patents, for example. We have welcomed the KEF because it avoids a hierarchy of KE activities and supports relative measures of progress and achievement in different KE areas, creating a more rounded assessment of achievements. There is a need for both institutional understanding of strengths and weaknesses in KE, and for a national overview of trends in attracting business R&D, for example. The NCUB's *'Collaboration Progress Monitor'* is a good example of the latter and does provide a Welsh 'lens' as part of its annual update.

7. Proposed Funding Models

Two suggested funding models have been developed using the metrics outlined above are attached to the circular as *Annex B*. The Reid Review recommends in principle that funding should be distributed to incentivise the attraction of *'the highest levels of external income through collaborations with business and other partners'*. Income measures are therefore weighted more highly than non-income measures.

The proposed funding models aggregate data in the following ways:

<p>➤ Model A – non income measures weighted x1; income is weighted x2</p> <p>➤ Model B – non-income measures weighted x1; income is weighted x4</p>	
Do you have preference for either model?	Please select a preferred model: Model A <input checked="" type="checkbox"/> Model B <input type="checkbox"/> Other model <input type="checkbox"/> [Provide further information below]
<p><i>Please provide further information on your selection, and if 'other model' provide details. Please note any potential unforeseen consequences which might arise from your choice of model [500 words]</i></p> <p>Model A is most appropriate while Welsh HEIs are in 'rebuilding phase'. Weighting income highly could create perverse incentives to only focus on those KE activities which generate income, whereas the aim is to establish a broad range of KE models that are appropriate to a university's mission and KE strategy. Model A also seems to deliver a more even spread of funding across Welsh HEIs.</p>	

8. Annual data weighting and funding thresholds

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.

Are there any potential consequences to incentivising growth annually? Should a minimum and maximum threshold be established e.g. all allocations should be at least £400k, and no more than £3.5m? [500 words]

We cannot see any disadvantages to this approach. The important thing is to enable HEIs to plan with security of funding for staff and projects, which will encourage positive long-term behaviours. Avoiding steep annual growth or, particularly, steep loss of KE funding is key in this respect. In this respect, setting a 'cap' for maximum allocation would avoid a large fluctuation at the higher-end of the income allocation.

9. Complications of using HE-BCI data for the Open University in Wales

Although the Open University has data returned through the HE-BCI survey, this is not currently by disaggregated for devolved countries in the UK. We are therefore proposing to pro-rata the Open University UK HE-BCI data against the FTE student numbers in Wales.

Do you have any views on this method of allocating funding to the OU in Wales? Are there any alternative methods which meet the funding principles which could be used to apportion funding to the OU in Wales?
[500 words]

No comment.

10. Strategies and Monitoring

Institutions who receive RWIF will be required to submit and have approved a 3-year strategy which aligns with HEFCW's *Research and Innovation: the Vision for Wales*. These will enable HEFCW to be fully sighted on new developments, areas of focus, and key mission priorities. Institutions would be monitored annually on their performance against the HEFCW National Measures.

What are your views on the requirement for RWIF Strategies? Are there any specific priority areas that should be included which are not referenced in Research and Innovation: the Vision for Wales *[to note this document will be published on HEFCW's website shortly]. [500 words]*

PraxisAuril supports the principle of strategic planning for knowledge exchange. This is a requirement in some form for all English universities (HEIF strategies) and Scotland (Outcome Agreements) and provides assurance to public funding bodies against which progress and outcomes can be assessed. They provide an important base on which to assess metrics, particularly where metrics show strong growth or decline in activity, for example. Strategies also provide opportunity for universities to assess their own strengths, the KE opportunities in their environment (local, national, international) and how they need to develop capacity or capability to make the most of them.

For funders, strategies provide a valuable evidence base for universities KE activities that can be assessed to establish common approaches and typical areas of expenditure. In-depth assessment of the HEIF strategies in England has been carried out for Research England, for example, identifying areas of good practice and where improvement is needed.

The principle of strong leadership is fundamental to the KE Concordat and this is a principle which RWIF strategies could also adopt (particularly if the full KEC is not adopted in Wales) to cement the commitment to renewed innovation funding in Wales.

The Vision for Wales sits well alongside the UK's Industrial Strategy and provides a strong domestic context for knowledge exchange planning and strategy. Knowledge exchange also runs as a thread through all four pillars of the Vision. The proposals for introducing the RWIF sit well against the overall timescale for delivery of the Vision, particularly if the principle of rebuilding

capacity is adopted at the outset (i.e. before moving funding to industry-led hubs).

PraxisAuril puts great value on the skills of KE professionals working in universities, to stimulate and support their role in achieving industrial strategy visions. Alongside the proposed pillars, a fifth focusing on 'People' would therefore also have been welcomed as a way of recognising the importance of people in knowledge exchange for economic and social growth; whether that takes the form of research collaboration, new business creation, skills transferal (e.g. through PhDs and placements) or upskilling through CPD and enterprise. This includes KE professionals but also researchers, students and research users on the demand side.

11. Welsh Language Standards 2018

Could the proposals for the development, and requirements of, the RWIF be changed to increase positive effects, or decrease adverse effects on:	<ul style="list-style-type: none"> ➤ Opportunities for persons to use the Welsh language ➤ Treating the Welsh Language no less favourably than the English language
<p><i>Please provide further information on the potential impact of the RWIF developments on the Welsh Language, whether these are positive or negative:</i></p> <p>No comment.</p>	

12. Impact on the [Well-being of Future Generations Act \(2015\)](#)

<p>Could the proposals for the development, and requirements of, the RWIF be changed to increase positive effects, or decrease adverse effects on the goals of the Well-being of Future Generations Act 2015?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p><i>Please provide further information on the potential impact of the RWIF developments on the WFG Act, whether these are positive or negative:</i></p> <p>No comment.</p>

13. Impact on equality and diversity

<p>Do the proposed RWIF developments have any positive or negative impacts, or unintended consequences, in terms of equality and diversity?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p><i>Please provide further information on the potential impact of the RWIF developments equality and diversity, whether these are positive or negative:</i></p>

Whilst the RWIF does not appear to have any particular impact in terms of equality and diversity, PraxisAuril strongly supports the principle of encouraging and stimulating diversity of all kinds in the research and KE base. The current '*Women in Spinouts*' project funded by the EPSRC and conducted from Oxford Brookes University is a good example of how increasing diversity may help to drive up spin-out metrics overall as well as improving conditions for founder-investor relations, for example (see <https://www.brookes.ac.uk/women-and-spinouts/>).

By adopting a secure funding stream for KE, that allows universities to manage funding as appropriate to their own culture and research base, HEFCW will create the stability needed for building trusted relationships between customers in the academic and business base. There is no reason why principles of diversity and equality adopted in all other university functions would not be adopted in the area of KE and innovation. If HEFCW perceives that there is a problem with diversity in research and /or innovation then there may be a need to create a more targeted fund to address that, but more specific evidence will be needed to inform that funding.

Consultation responses should be submitted to sheridan.nott@hefcw.ac.uk by midday on **Friday 26 July 2019**.