



The Innovation Centre programme: phase two

- This paper updates the Board on progress with the consideration and implementation of the recommendations from the 'Independent Review of the Innovation Centres (IC) Programme', chaired by Professor Graeme Reid. The paper invites the Board to agree to the implementation plan and endorse the more strategic, multi-partner approach to phase two which includes a joint appraisal process between partners (SFC, SE and HIE).

Recommendations

- To endorse the executive's plans as described in this paper for more strategic and aligned approach to phase two of the IC programme and agree that this approach, aligned with Scottish Government's ambitions for 'improving Scotland's long-term productivity growth', is an effective way to implement Professor Reid's recommendations.
- To note the potential financial implications for SFC and comment as appropriate.

Financial implications

- The process for agreeing to fund any successful IC in phase two is set out in this paper. Partners (SFC, SE and HIE) do not propose to agree in advance an overall budget for programme but rather to determine financial support for each IC (and from each funder, not limited to the three initial partners) on a case by case basis.
- It is therefore not possible to set a definitive budget at this time the executive will consider an indicative one during Spending Review discussions.
- The overall funding awarded by SFC for the initial eight ICs in phase one is for £82m which includes substantial project funds allocated to each. The phase two investment model (set out in this paper) will no longer provide large project "pots" to the ICs so it is reasonable to expect that in total, annual SFC contributions to the IC costs could reduce substantially over time (see Annex E for further information).

The Innovation Centre programme: phase two

Purpose

1. This paper updates the Board on progress with the consideration and implementation of the recommendations from the 'Independent Review of the Innovation Centres (IC) Programme', chaired by Professor Graeme Reid. The paper invites the Board to agree to the implementation plan and endorse the more strategic, multi-partner approach to phase two which includes a joint appraisal process between partners (SFC, SE and HIE).

Background

2. In Spring 2016, the SFC's Chair invited Professor Graeme Reid to conduct an independent review of the (IC) programme at a mid-way point in the first phase of funding for the programme. Professor Reid presented his report to the SFC's Board in September 2016 and subsequently the Board¹ asked the SFC's executive to work on the implementation of Professor Reid's recommendations (see annex A) and report on progress in June 2017.
3. The IC programme is being delivered by a core partnership of SFC, Scottish Enterprise, and Highlands and Islands Enterprise (the partners) and represents a significant contribution to delivering the Scottish Government's economic strategy under the Scotland Can Do framework. The partners have taken Professor Reid's full report as well as his specific recommendations into consideration. The plan described in this paper, as with the October Council paper (SF/16/87)², whilst driven by Professor Reid's recommendations, should be considered in this wider context.
4. The Board is also reminded that the development of the IC programme takes place during the Scottish Government's review of the enterprise and skills agencies. At time of writing it is not known if the outcomes of phase two of that review will have an impact on the current proposals for the next phase of the IC programme - though the IC programme has a place under priority 6 of the Review: 'derive greater economic returns from Scotland's world class research base'³.
5. The Scotland Can Do innovation action plan, published in January 2017, is

¹ Minutes from the October Council Board meeting can be accessed here:

http://www.sfc.ac.uk/web/FILES/CNP_Councilmeeting16December2016_16122016/SFC16__SFC_Board_Minute_27_October_2016.pdf

² The relevant Council Board paper (SFC/16/87) from the October 2016 meeting can be accessed here:

http://www.sfc.ac.uk/web/FILES/CNP_Councilmeeting27October2016_27102016/SFC16_87_Future_development_of_the_IC_programme.pdf

³ Details available here: <https://beta.gov.scot/policies/economic-growth/consulting-on-the-economy/>

described as “... focused on taking action now to boost innovation...” in advance of any future action plan or strategy arising from phase two of the enterprise and skills review. The IC programme has a place under section four: ‘make best use of University research knowledge and talent to drive growth and equip Scotland’s people with the tools and skills needed to innovate’.

Progress to date

6. Professor Reid’s review was programme-wide and confirmed that the programme was on the right trajectory, whilst acknowledging that evidence of impact may take several years to become clear. He also acknowledged the multiplicity of models for ICs and the relative difference in what each is and what each can deliver for Scotland, whether in clear economic returns or societal and health benefits. Overall, the programme has supported hundreds of industry-led projects as well as business development and skills activities. A key recommendation from Professor Reid is to ensure that more is made of the successes and that they are presented in a way in which businesses can relate to.
7. Scottish Enterprise has recently worked, on behalf of the partners, with the ICs to produce case studies at the individual IC level. These will soon be published but can be accessed now.⁴

Strategy and implementation plan for phase two

8. Using Professor Reid’s recommendations as a robust framework for change and enhancement, the partners, with consistent engagement from Scottish Government, have been collaborating on the development of a multi-partner model for the effective future delivery of the programme (phase two).
9. The October 2016 Board paper outlined the detailed recommendations set by Professor Reid around longer term sustainability and the prioritisation of impact over income generation, a greater involvement in the programme from the enterprise agencies and the need to develop an appraisal process. The plans outlined in this paper for phase two respond to these (and other) key recommendations of Professor Reid’s review. In particular, the partners feel that the multi-partner appraisal process strengthen ICs for a more successful phase two by instilling confidence in the continuity of the Centres themselves (core) in order to focus on more transformational and impactful projects. Phase two puts further emphasis on the explicit ambition of phase one for ICs to lever in other sources of funding and the partners expect the iterative appraisal process will lead to business plans that will achieve this more readily.

⁴ <https://www.dropbox.com/sh/uqiebzctzdtkg16/AADXYN2PxRL-Hn3QtqoW78QQa?dl=0>

10. It is important to recognise that Phase two should empower ICs to get as much industry investment in their (demand-led) projects as possible. Project funding from enterprise agencies, Innovate UK, UK Industrial Strategy, UKRI, H2020 and others will be an input to quality projects, facilitated by the ICs, with strong commitment from industry. The emphasis must be on demand-led projects with potential for impact rather than subsidised projects which may be of great academic interest but with limited impact potential.
11. SFC's Board may wish to consider a transition between the two models, with a small level of project support continuing if the necessary business case can be made as part of the process. This was a request relayed strongly to partners by the IC community at the 16 May meeting. RKEC was also supportive of this option being written into the guidance inviting business plans for phase two - when that committee met in May and supported the plans outlined here.
12. The development of a new multi-party model for phase two is based on some key assumptions and principles (see Annex B) – paramount amongst them being that “the IC programme is a Scottish asset relevant to the Scottish Government’s ambitions for ‘improving Scotland’s long-term productivity growth’”
13. At time of writing an enhanced Memorandum of Understanding between the partners, formalising this enhanced multi-partner approach, is in its final stages of drafting and is expected to be signed by 23 June 2017.
14. The core of the multi-partner funding model is a joint business plan appraisal process to be followed as each existing (or new) IC reaches an appropriate point for consideration for (further) investment. The new joint business plan appraisal process will follow the ‘five case model’ developed by HM Treasury, and what was the Office of Government Commerce (OGC), as the recommended standard for the preparation of business cases and which is used extensively within central Government departments and their agencies. A three stage gateway process, following the Scottish Enterprise project lifecycle process, will be used to appraise business cases at key stages of development. The final stage for any successful IC would comprise a meeting of the partners, and other agencies as appropriate, to determine appropriate allocation of resources. For SFC an outcome of this meeting would be a proposal, for SFC investment, to its Strategic Funding Group (SFG). It is expected that any funding proposal would be deemed low/medium risk following satisfactory conclusion of the robust appraisal process. Therefore, following SFC’s scheme of delegated authority, we would not envisage bringing any funding proposal to the Board unless of course any funding request to SFC exceeded these limits.
15. At its meeting in October 2016, the SFC’s Board also discussed and confirmed that the SFC executive should formalise a plan to establish whether there is

evidence of demand and need for new ICs or changes to existing ones by July 2017 (as recommended by Professor Reid). Our priority has been to develop the model described above for the current ICs. We would recommend that the development of any process for inviting proposals for new ICs should be considered carefully and strategically with appropriate advice from the SFC's RKEC and Board, partners, and following phase two of the enterprise and skills review. The opportunities presented by the emerging UK Govt. Industrial Strategy may also guide development of any future IC proposition.

16. Our plan for implementing all of Professor Reid's recommendations is attached in full at Annex C.
17. The Board may wish to note important milestones passed in the development of this approach in recent weeks. These meetings have provided RKEC and the IC community opportunities to further engage and understand the rationale for enhancing the programme in Phase Two in the spirit of Professor Reid's recommendations. These recent milestones in the development and delivery of the IC programme are listed below:
 - SFC RKEC discussed progress, 5 May 2017.
 - Meeting with ICs (CEOs and Chairs) and partners to explain new process for phase two funding – 16 May 2017.
 - SFC RKEC, 1 June 2017.
 - Partners signing of revised MoU – June 2017.
 - SFC Board, 23 June 2017 – reporting Phase Two plans (longer term strategic approach) for the programme.
 - Meeting with ICs, admin-hub representatives (possibly Principals), and partners to discuss phase two guidance, 30 June.

Risk assessment

18. The Innovation Centre programme continues to be a transformational programme. There is both a reputational risk and a risk to delivery of the Council's strategic objective for greater innovation in the economy if the programme does not deliver on its expected outcomes. We continue to mitigate this risk with the implementation of the Monitoring and Evaluation Framework (MEF) to ensure the programme remains on track.
19. The phase two approach described in this paper represents a greater emphasis on competitive project funding than was the case in phase one. Not all ICs are receptive to this change although they seem to understand the rationale for it. While this is deliberately designed to ensure greater efforts to 'win' other sources of funding and develop larger projects, some ICs may find this new model challenging.

20. It is possible that potential partner funding bodies are unable to support successful ICs financially due to conflicting priorities and/or availability of funds. In such cases it would be a matter for the SFC's Board to consider whether SFC should be the sole funder of an IC's central costs.
21. As with all long term investments, there is a risk around the availability of SFC strategic funds to continue to support the programme. It is hoped that the move to this new multi-party model will reduce SFC contributions gradually over time, particularly as ICs move away from large in-house project budgets and as their value to Scotland's businesses is increasingly demonstrated.
22. There is the possibility that there are delays in concluding the appraisal process for the ICs that are already close to a funding 'cliff-edge' and that SFC may receive proposals for interim funding arrangements in order to extend phase one of an IC to avoid staff redundancies.
23. A full risk register will developed by the partners ahead of start of Phase 2 and will be a standing item on the partners' joint governance of the programme.

Equality and diversity assessment

24. The IC programme sits within a Scottish Government policy framework in which there is an extremely strong commitment to advancing equality and human rights and tackling inequality. The Programme for Government (2016/17), which features the IC Programme, has a strong focus on gender equality and on strengthening legislation on Board diversity.
25. As such, the Partners agree that ICs must embed and promote policies on equality, diversity and inclusion on an individual basis as well as collectively. The Partners expect ICs to lead by example in supporting their industry sector to achieve a diverse and representative workforce.

Financial implications

26. The process for agreeing to fund any successful IC in phase two is set out in this paper. Partners (SFC, SE and HIE) do not propose to agree in advance an overall budget for programme but rather to determine financial support for each IC (and from each funder, not limited to the three initial partners) on a case by case basis.
27. It is therefore not possible to set a definitive budget at this time but the executive will consider an indicative one during Spending Review discussions. The overall funding awarded by SFC for the initial eight ICs in phase one is for £82m which includes substantial project funds allocated to each. The phase two investment model (set out in this paper) will no longer provide large project "pots" to the ICs so it is reasonable to expect that in total, annual SFC

contributions to the IC costs could reduce substantially over time (see Annex E for further information).

Recommendations

28. The Board is invited to:

- Endorse the executive's plans as described in this paper for a more strategic and aligned approach to phase two of the IC programme and agree that this approach, aligned with Scottish Government's ambitions for 'improving Scotland's long-term productivity growth', is an effective way to implement Professor Reid's recommendations.
- Note the potential financial implications for SFC and comment as appropriate.

Publication

29. This paper will be published on SFC's website.

Further information

30. Contact: Keith McDonald, tel: 0131 313 6674, email: kmcdonald@sfc.ac.uk; Gary Bannon, tel: 0131 313 6518, email: gbannon@sfc.ac.uk; Sophie Lowry, tel: 0131 313 6589, email: slowry@sfc.ac.uk.

Annex A

Independent Review of Innovation Centres Programme

Recommendations

- I recommend that the Scottish Funding Council and the enterprise agencies (Scottish Enterprise and Highlands and Islands Enterprise) should assess periodically whether additional Innovation Centres should be created and, if so, whether they should follow the good practice and management models already developed. The first such exercise should be complete within nine months of this review's publication and should be repeated at intervals of no more than four years thereafter. The creation of any new Centres will be conditional on the availability of resources from public, private and charitable sectors.
- My review identified the need to balance stability and dynamism for Innovation Centres while maintaining appropriate oversight of public spending. I recommend that the SFC and its partners should assess, without prejudice one way or another, whether to continue financial support for each Innovation Centre 10 years after its creation and at 10-yearly intervals thereafter. During the first 10-year period of their existence, I would expect most Innovation Centres to emphasise economic impact and 10 year strategic thinking over income generation. Two light-touch reviews during each 10 year interval should be used to assess the effectiveness of public spending to identify opportunities for further strengthening the Centres.
- I recommend that the Scottish Funding Council and enterprise agencies review the Monitoring and Evaluation Framework (MEF) for Innovation Centres to reduce its administrative burden and strike an explicit balance between incentives for Innovation Centres to generate income and the incentives for them to deliver impact for the Scottish economy.
- I recommend that the IC Boards review the rigour of management information and report to SFC within six months of this review's publication on their plans to improve this where necessary.
- The creation of Innovation Centres changed the landscape for innovation support in Scotland. Public sector support for innovation should evolve to keep pace with the new landscape. I recommend that the enterprise agencies (Scottish Enterprise and Highlands and Islands Enterprise) identify and assess opportunities for new approaches to their funding support for Innovation Centres to increase business engagement and enhance the Innovation Centres programme. These new approaches may well reach beyond the existing scope of funding from enterprise agencies. Enterprise agencies should publish the results of their assessments within nine months of this review's publication.

- I recommend that every university and each Innovation Centre should make renewed efforts to involve as much of Scotland's excellent research base as possible with the programme. Innovation Centres should each publish a brief assessment of the breadth and depth of this engagement by 31 March 2017 and should refresh that assessment for each of the light-touch reviews at recommendation 2.
- I recommend that the Scottish Funding Council (SFC) explores Further Education (FE) college participation in Innovation Centres programme. SFC should challenge FE colleges and their representatives to enhance their involvement in the IC programme and work with ICs to support innovation in local businesses, for example responding to business demands for skilled people. SFC should consider how best to overcome any administrative boundary between FE college and university funding that currently exists. SFC should publish the outcome of this consideration within nine months of the publication of this report.
- If individual Innovation Centres have robust evidence, now or in the future, that their ownership and governance is inhibiting their contribution to the Scottish economy, I recommend that the Scottish Funding Council and the enterprise agencies should be open to proposals for changes in ownership and governance of Innovation Centres. The Scottish Funding Council and, if appropriate, the enterprise agencies, will then decide whether to accept these proposals.
- Innovation Centres have already published case studies about their own success. This is welcome. I recommend that the Scottish Funding Council and the enterprise agencies work with Interface, the Innovation Centres and others to create and promote a centralised body of data and case studies about individual businesses – rather than innovation support bodies - in Scotland that have benefitted from working with universities and colleges. Those success stories need not be confined to technological innovation and product development: business successes may also come from innovation in management processes; marketing; or investor relations. Innovation Centres, enterprise agencies and others should use that material to promote nationally and internationally the attractions of Scotland as a location for innovative businesses. The new body of material should be launched on 31 March 2017 and could feed in to the Scotland CAN DO Assembly in Spring 2017.
- Innovation Centres are operating in a crowded landscape of public sector initiatives for supporting businesses in Scotland. I recommend that the Scottish Government – perhaps within its Skills and Enterprise Review - should simplify the outward appearance of arrangements for business support and better define and explain its specific benefits to individual businesses. The body of case study material proposed at recommendation 9 should help. I recommend that support for the business community be articulated consistently in business-friendly language rather than the language of the public sector.

Annex B

The development of a new multi-party model for phase two is based on some key assumptions and principles – paramount is that ‘the IC programme is a Scottish asset relevant to the Scottish Government’s ambitions for ‘improving Scotland’s long-term productivity growth’.

- The IC programme is a Scottish asset relevant to the Scottish Government’s ambitions for ‘improving Scotland’s long-term productivity growth’.
- Building on Professor Reid’s observation that the original vision for the IC programme is still valid, the vision should be updated to clearly reflect current Government priorities.
- A shared vision and objectives, and model for the programme can be agreed and enshrined in a revised memorandum of understanding (MoU). The MoU should be open to new signatories as and when appropriate.
- A multi-agency process should be developed to appraise business cases for future funding of existing ICs, or any proposed new ICs, and to negotiate multi-agency funding and other resources as appropriate.
- Core/infrastructure funding for successful ICs should be strategic and longer-term with review points at appropriate junctures. This represents a more sustainable model.
- It will be more strategic and sustainable to enable and empower ICs to focus on winning project funding from the competitive marketplace rather than running bespoke project budgets as in phase one.
- SFC will continue to be a core funder for the programme but will only fund, as a matter of principle, an IC in partnership with another appropriate body or bodies where the strategic case for business growth and wider impacts has been agreed to be robust.
- Responsibility for the effective project management, monitoring and evaluation of any IC will be shared by the partners.
- ICs are part of Scotland’s innovation landscape and they may need to evolve soon or over time to remain relevant and strategic.

Annex C

Progress on Professor Reid's Recommendations

While important to consider all of Professor Reid's recommendations together (see Annex A), partners have separated them into 'strategic' and 'operational' in order to develop and implement them with greater initial emphasis being placed on the 'strategic' ones.

As all the strategic recommendations are inter-related, partners have chosen to develop them together focusing on the establishment of a multi-partner model which aims to support the longer term sustainability of any IC in phase two.

Strategic

1. *Establishment of an assessment process (R1)*

Professor Reid called for periodic assessments of the need for any new ICs. While partners are very aware of the timeline for the first such assessment being suggested as end of June 2017, no such analysis of demand has been carried out as all efforts have been focused on establishing a robust multi-partner assessment process in the first instance. The partners are finalising this assessment/appraisal process and a renewed MoU for joint working on the programme. These will build in the need for strategic assessment and consideration of how proposals for new ICs may be invited in the future. The partners have agreed, in line with Professor Reid's recommendations regarding longer term sustainability, that the first eight ICs will be prioritised in this assessment process ahead of any demand analysis and invitation or call for new ICs.

This multi-partner approach to delivery of the Innovation Centres programme described in the renewed MoU includes the definition of how the forward business planning exercise (assessment process) will be carried out, and more generally how the programme will be developed to enhance governance, delivery, and impact.

We expect this multi-partner assessment process to be 'live' following a final report of our implementation plan to the SFC's Board in June 2017⁵. The current ICs will be prioritised for entry to the process as appropriate.

2. *Long term sustainability of ICs (R2)*

The partners have been developing a model which separates out the centre/institutional cost of an IC and the costs associated with delivery of projects. In phase one, SFC funding sustained both centre and project costs. While this has undoubtedly been useful in the initial phase of the programme, the partners

⁵ RKEC is reminded that SFC's chair invited Professor Reid on behalf of the partners to conduct the review.

consider it will be more strategic and sustainable to focus ICs on winning competitive funding from other sources.

For phase two, it is planned that centre/institutional costs will be awarded to successful ICs on longer terms with reviews at appropriate points. This is intended to, as Professor Reid recommended, help the IC programme focus on developing impactful activity rather than generating income. A key principle in any final funding model should be recognition that any funded IC will require a lead time of at least two years to manage either a go or no go decision following each review.

3. *Greater enterprise agency support for IC programme (R5)*

Committing to longer-term investments will require a shared approach by the partners both at an individual IC and programme level which is why a new MoU is being finalised. Professor Reid has recommended that the enterprise agencies build on and explore more innovative approaches to supporting the programme. This also recognises that the ICs are well positioned to support business to business innovation which a more diverse core funding model would help facilitate.

Professor Reid suggested that the original vision for the programme needs space to evolve to match the appetite of business sectors supported by ICs and should welcome and encourage business to business activities. He also called for enterprise agency funding to be better utilised to support this wider agenda. The partners have been working on delivering this recommendation and have designed a joint assessment/appraisal process which will result in Innovation Centres which belong to Scotland (rather than SFC) with centre/institutional funding coming from SFC plus at least one other public sector partner. The initial partners (SE, HIE and SFC) have designed the process to allow for and encourage other funders to join the appraisal and funding process, both for core and project support. We are keen to see bodies such as the NHS in Scotland (or the Scottish Government Health Department) becoming explicit partners in support of ICs such as DHI or SMS if the ICs meet their needs and the business cases are strong. Co-funding with InnovateUK is looked for on a project basis, as we have already seen, but a deeper partnership is desirable if priorities can be matched.

Business plans will be developed through an iterative Five Case Model (as recommended by UK Treasury). Business plans will be reviewed by the partners through a gateway process. The enterprise agencies, by being part of the process, will be able to align their existing and/or develop new products as appropriate on a case by case basis.

4. *Expansion of the IC programme vision (inclusion of colleges, R7)*

Professor Reid found that the vision was still valid but recommended that SFC 'explore FE college participation in the programme'. As a first step, we have amended the vision for the programme to be more clearly aligned with Scottish

Government priorities under the Can Do Framework, reflecting that there will be a shift from SFC's programme to Scotland's, and making it clear that academic participation can be from across any number of knowledge providers (universities, colleges, research institutes etc.)

Further work is underway to respond to Professor Reid's call for SFC to 'challenge FE colleges and their representatives to enhance their involvement in the programme'. The recent letter of ministerial guidance to SFC (March 2017) asked SFC to encourage college participation in the programme. We are continuing to work through RKEC's College Innovation Working Group on this topic with a view to bringing forward some pilot work in the next academic year. It is not clear at this stage what the potential financial implications of this recommendation will be.

Operational

5. *Monitoring and Evaluation Framework (R3, R4)*

One of the key areas of work emerging from Professor Reid's recommendations relates to the improvement of the Monitoring and Evaluation Framework (MEF) for the Programme, to ensure it can meet the needs of the Centres and the Programme's primary stakeholders whilst reducing burden where possible and 'incentivise a balance between the need to generate income and the fundamental purpose of the ICs to create impact for the economy of Scotland'.

The partners have commissioned EKOS Ltd to support this improvement, building on their previous work as part of Professor Reid's review. The EKOS team have met with each of the Centres as well as partners to review current use of the MEF/quarterly reports and identify ways in which it can be improved with the intention that it serves the dual purpose of acting as a management tool for IC Boards and a monitoring tool for the programme.

EKOS are producing a report on suggested improvements with a further opportunity for each of the ICs to input to the development of a revised MEF at a workshop on 8 May 2017. The feedback received from the workshop will be used by the partners in agreeing any revisions to the MEF.

6. *Governance (R8)*

We recognise that as ICs evolve changes to governance may be required. We propose to remain open to any proposals for changes in governance where these make sense, where they are legally compliant and where they are likely to increase economic impact for Scotland.

As we reported to the SFC's board in October 2016, we are encouraging IC boards to review the rigour of their management information as part of good governance. We are also 'working with the ICs to promote good governance generally including diversity on IC Boards - commencing with an analysis of existing terms of reference

to ascertain current Board membership terms and recruitment processes' as set out in paper to the SFC's board in October. We have engaged with IC CEOs and Chairs several times over recent months and will soon issue a governance document highlighting good practice and setting out minimum requirements around, for example, board recruitment.

7. *Engagement (R6)*

Professor Reid also called for a renewed effort from universities and ICs to engage with our academic base. SFC and partners are keen to help with this through our Research and Knowledge Exchange Committee and engagement with Universities Scotland (RKEC, RCDG etc.). The Innovation Action Plan also calls for 'increasing business use of academic expertise and facilities through improved mapping and signposting'.

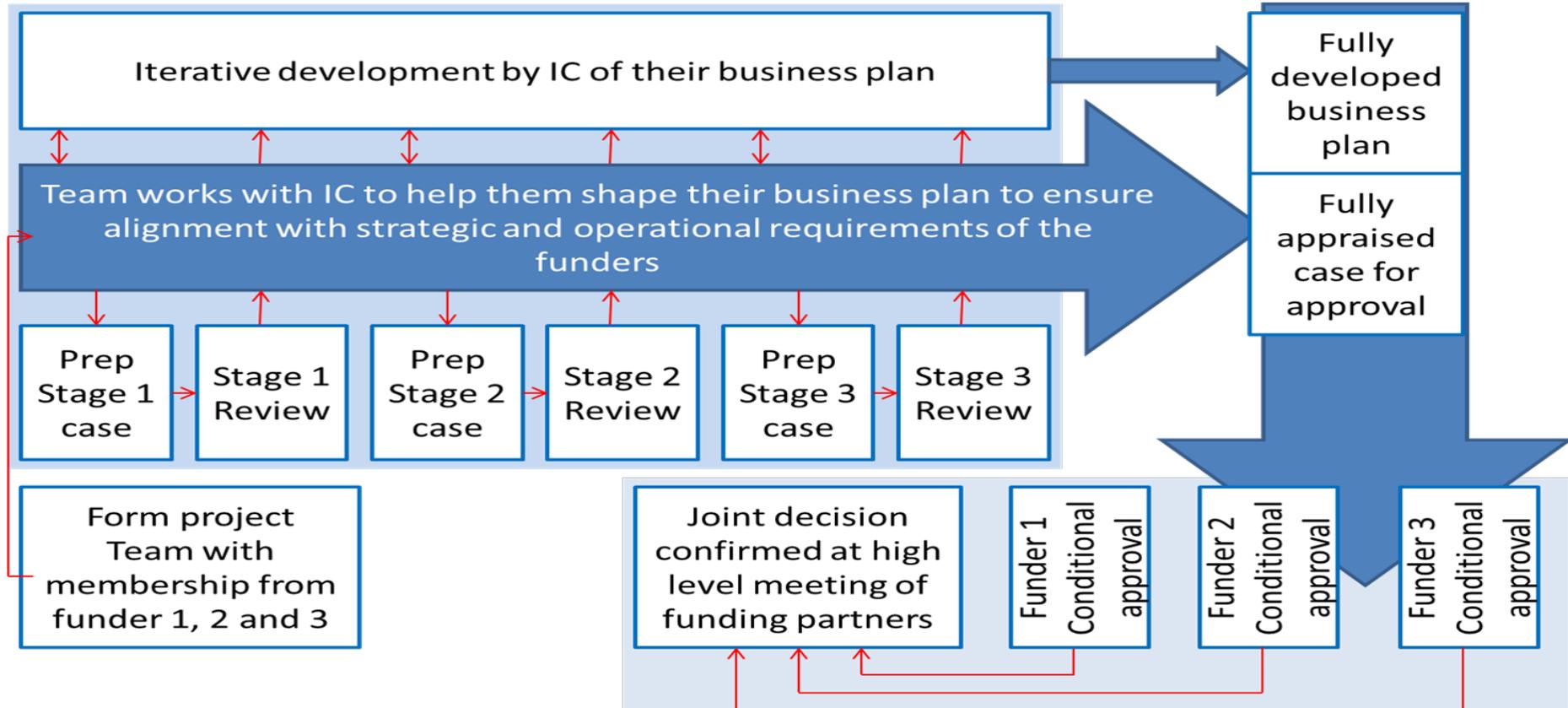
At time of writing we are reviewing an initial analysis of IC engagement with Scottish HEIs which was conducted by the ICs as a group and submitted to SFC in April 2017.

8. *Communications/case studies/Simplifying landscape (R9, R10)*

Professor Reid's recommendation on a 'centralised body of data and case studies on individual businesses...to promote nationally and internationally the attractions of Scotland as a location for innovative businesses' as well as addressing his last recommendation regarding 'crowded landscape' and simplifying the 'outward appearance of arrangements for business support' all chime heavily with the Scottish Government's Innovation Action Plan's calls for 'developing and rolling out a Communications Plan to raise awareness of the benefits of innovation to businesses and to celebrate existing success' and the 'need to simplify the innovation landscape'. We wait for further direction emerging from phase two of the Enterprise and Skills Review in order for the partners and the ICs to further contribute to this key area.

Annex D – draft business plan appraisal and approval process

Multipartner Appraisal and Approval of IC Business Plans



Note 1: this example assumes three funders with for example SFC as lead institutional funder joined by SE and HIE.
 Note 2: each funder takes funding decision in line with their own delegated procedures. These decisions are 'conditional' until all funding partners have confirmed their respective approvals.

Annex E - Further Financial Information [based on assumptions]

	Offer of Grant	Core Funding Awarded over 6 years	SFC Payments to 31 May 17
Digital Health Institute (DHI)	Mar-13	£13.3m	£10,399,452
CENTre for Sensors and Imaging Systems (CENSIS)	Mar-13	£10m	£7,166,912
Stratified Medicine Scotland (SMS)	Mar-13	£8m	£5,846,148
Industrial Biotechnology Innovation Centre (IBioIC)	Dec-13	£10m	£6,020,000
Oil and Gas Innovation Centre (OGIC)	Feb-14	£10.6m	£4,143,042
Scottish Aquaculture Innovation Centre (SAIC)	Feb-14	£11.1m	£4,343,564
Construction Scotland Innovation Centre (CSIC)	Mar-14	£7.5m	£4,043,283
The Data Lab	Mar-14	£11.3m	£4,018,600

- SFC have committed just under £82m to for the first 8 ICs. This table shows funding over 6 years. Funding for ICs is not uniform with funding end dates staggered from March 2018 to May 2019 with staff redundancy notices being issued automatically by admin hub institutions in line with their HR practices.
- It is difficult to set an accurate figure on SFC's likely contribution to phase two of the programme and exactly when this will be required given the potential variance of size, scope and focus expressed within a multiplicity of business models and the currently unknown timescales for inviting each to submit a business plan for phase two (including how much of any phase one allocation may be able to be utilised). Of course, we also need to consider the outcome of upcoming spending reviews.
- However, if we take the assumption that ICs are unlikely to significantly increase their running cost budget, or at least the proportion of which that would likely be funded by SFC, then we could estimate that SFC would expect to reduce its support from roughly (up to £2m per annum per IC) to closer to £1.5m or £1m by the end of the first 5 years of Phase Two.
- It is important to recognise that each IC will be funded on a case by case basis but that the removal of large project pots (whether gradually phased out or at beginning of Phase Two) and the high level principle that at least one other public sector partner will support the core costs of a centre then is reasonable to suggest that an indicative funding ask of SFC may reduce over the next five years from roughly £16m per annum to £10m or even £8m [NB. It is entirely possible that a strong business plan requiring more funding from SFC could be supported as well as the possibility of new ICs being invited to submit proposals which may require SFC support].