



As the representative body of Scotland's 19 higher education institutions (HEIs), Universities Scotland welcomes the opportunity to provide evidence to the Public Accounts Committee's ISCF inquiry. Scotland's universities are a success story, driving economic growth in their communities and for the UK. The Industrial Strategy Challenge Fund has a UK-wide application and our comments reflect the application of the fund to our University members in Scotland.

Design of the Fund

1. There is a lack of forward communication ahead of an ISCF call announcement and calls are only open for a short period. For example, there has been no indication of an ISCF Wave 4 and an absence of specific details on the future of ISCF. This restricted communication seriously limits institution's ability to be able to engage with calls and hinders many potential projects, particularly at smaller and newer universities that do not have the same resources and connections as larger historical institutions. Poor communication also limits the Enterprise and Skills Strategic Board's ability to support Scottish businesses to effectively lever in funding from the ISCF¹. Collectively, insufficient communication and notice of calls severely limits breadth and excellence of the R&I funded by the ISCF. It also limits the fund's ability to build R&I excellence rather than simply supporting existing strengths.
2. The design of the ISCF appears to focus on the collaboration with larger companies and, at present, actively disincentivizes participation from SMEs. The resources required to participate in bid consortia are considerable and far beyond the means of many SMEs (i.e. co-investment requirements and people). Many SMEs do not have spare capital to commit funds to high-risk projects or the resources for protracted application processes. In Scotland, this approach excludes a significant proportion of small business communities and has a disproportionate effect on regions with high proportions of SMEs in their economy (e.g. in the Highlands and Islands). Current design is therefore creating a challenge to programme engagement for some areas and universities.
3. This is supported by data on funding allocations. At present, the highest levels of ISFC investment have been awarded to large enterprises (£2.77bn, 25%), closely followed by the Catapults (£2.56 bn, 23%). Whilst collectively medium, small and micro enterprises have secured £3.2bn (29%) of the ISFC investment, individually, each of these enterprise types have only secured investment less than £1bn².
4. In addition, to date (2017-2021), Scotland has only received 7% (£0.75bn) of the total ISCF investments made. Notably London (£2.23bn; 20%); the South East (£1.75bn; 16%); and South West (£1.09bn; 10%) have received proportionally greater funding which collectively accounts for 46% (£5.07bn) of total ISCF investments made. At present, the ISCF calls do not consider variation in local region, this is at odds with the UK Government's 'leveling up' agenda. This is helping to drive the

¹ Enterprise and Skills Strategic Board (October, 2018) Strategic plan, p11.

² Innovate UK (February, 2021) Transparency data: Innovate UK funded projects since 2004.



regional disparity of investment and current uneven geographical distribution of funding across the country³. As the Fund has a 'place'

5. There are UKRI consultations ahead of the selection/definition of challenge areas, however, this process is not sufficiently transparent. Most universities and researchers in Scotland do not or have not had opportunity to engage in these conversations. More consultation and transparency regarding the design of calls would benefit R&I across the whole of the UK. At present, future challenge areas are often unknown until calls are announced, leading to frustration among the research community and a perception of being 'outside of the process'.
6. To try to prepare for such uncertainty, networks within our membership such as the 'University Innovation Fund ISCF group' try to foresight opportunities and facilitate new conversations that could lead to new partnerships, build networks, build capacity, and develop bold and ambitious projects for challenge-led funds. However, there is much uncertainty around whether the anticipated future funding will materialise, in what format it will be offered (i.e. Collaborative R&D, Investment Accelerators, Network Plus Funds, Demonstrators), and whether university partners will be eligible (as not eligible for all calls). Such consortia building requires significant effort and without confidence in overall aims and objectives, it is difficult for individuals to commit time, leading to missed opportunities. Once again clear, wide consultation and communication would benefit all parties.

Oversight of fund implementation

7. Whilst the challenges supported via the funding are key to unlocking longer term innovation on a global scale, the lead time for ISCF projects (to build the consortium, complete the application, await assessment outcomes, and for funding to come through to universities) is far too long. For example, for the third Wave of funding, it took 72 weeks for UKRI to move from the expression of interest stage for new challenges to the approval of challenges. This was followed by on average 31 weeks to assess applications for funding³. Long approval timescales can have practical implications for applicants and act as disincentives for applying to the fund.
8. The forced split of funding enforced in many ISCF funds (e.g. maximum 30% grant to academic partners) is restrictive, particularly for projects that partner with partners such as Innovation Centres. As Innovation Centres are registered as part of a university, the university will also take a proportion of the 30%. As a result, to maximise the funds coming to the specific university partner, Innovation Centres may be left out of bids.
9. The procedures to engage with partners often focusses on established businesses, which means the route to engage with other organisations (e.g. social enterprises, charities, startups) is often not clear, leading to confusion and frustration in the application process, discouraging engagement with the funding scheme.

Performance and progress in making awards

10. The focus on outcomes and impact need nuancing in an evaluation of the performance of the ISCF. Missions encourage interdisciplinarity and engagement with SMEs, however, the full ambitions of challenges are difficult to achieve in the short term. Therefore, performance needs to be considered

³ Audit Office (February 2021) [UKRI's management of the ISCF](#), p9.



in the longer term (+20 years) and non-metric-based evaluations need to be developed to accurately assess the success of the missions. For example, the aims of the ISCF in relation to an Ageing Society (to increase business engagement and develop an ageing market) are heavily concentrated on health and technology. The Healthy Ageing Challenge focuses on narrowing the gap in the experiences of the richest and the poorest, but this will not be achieved through technologies and businesses alone. Instead an ageing ecosystem is required using a preventative and life course approach that will include social enterprise and the public sector.

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