

## Innovation Challenge Fund

### Issue

1. The implementation and operation of the new Innovation Challenge Fund, funding for which was agreed by the board at its meeting on 26 March.
2. The fund will support the delivery of objectives in our strategy and business plan<sup>1</sup> including a number of priorities that are important to students and to economic prosperity:
  - a. High quality academic experiences and addressing barriers to new and innovative forms of provision<sup>2</sup>, for example to meet the needs of part-time and mature students.
  - b. Supporting access, participation and success<sup>3</sup> and securing a step change in student outcomes.
  - c. The Industrial Strategy, skills and employability.
  - d. Student wellbeing and safeguarding including support for mental health<sup>4</sup>.

### Recommendations

3. The board is invited to:
  - a. Agree the governance, management and operation of the fund.
  - b. Agree initial priorities for investment and the first tranche of funding calls during AY2018-19, so that the fund can be formally launched.
  - c. Agree that the fund should operate competitive funding calls on specific topics throughout the academic year, and should not accept speculative bids outside of these funding calls.
  - d. Agree that priorities for funding should be set by the board on an annual basis, and to delegate authority to the Chief Executive to agree new calls for funding as required throughout the year in order to respond to new and emerging priorities.
  - e. Note the delegated authority and process for decisions and approvals.
  - f. Agree to receive an annual report of the fund's activities, budget, and investment portfolio.

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<sup>1</sup> <https://www.officeforstudents.org.uk/news-blog-and-events/news-and-blog/office-for-students-publishes-strategy-and-business-plan/>

<sup>2</sup> Business plan page six; (Strategic outcomes and objectives P1.2, E2.3, O1.2).

<sup>3</sup> Business plan page six.

<sup>4</sup> Business plan page six.

**Further information**

4. Available from Yvonne Hawkins, Director for Teaching Excellence and Student Experience at [yvonne.hawkins@officeforstudents.org.uk](mailto:yvonne.hawkins@officeforstudents.org.uk) or on 0117 931 7214, or Matt Jennings, the Fund Manager at [matt.jennings@officeforstudents.org.uk](mailto:matt.jennings@officeforstudents.org.uk) or on 0117 931 7157.

**Member's interests**

5. Individual board members should declare any conflicts of interest in relation to this paper.

## Background

1. In March the board approved £20 million revenue funding for AY2018-19 for the Office for Students (OfS) to develop and operate a new discretionary fund, the Innovation Challenge Fund (ICF), for project-based activity to support: regulatory priorities, key objectives in the strategy and business plan, and government priorities.
2. We agreed to return to the board at its meeting in May with additional detail on the implementation and operation of the fund, and to seek agreement on a number of key points to enable successful delivery of the ICF.
3. Board members will be aware that the government's Strategic Guidance letter and priorities for 2018-19 asks the OfS to:
  - a. Support the government's economic policy and the Industrial Strategy, enhancing collaboration with employers to deliver skills and employability for graduates from all backgrounds. Indeed, use of this type of funding is specifically referenced in this section of the letter.
  - b. Support and encourage greater diversity of provision.
  - c. Seek continuous improvement in access and participation, and support innovation in these activities.
  - d. Promote a positive higher education experience for all students, regardless of background or circumstance. This includes working to counter harassment and hate crime, to make campuses places of tolerance.
4. This new fund will enable the OfS to respond to these type of short and longer term priorities for students and the HE sector, where there will be clear benefits to be derived from a funding intervention. We will deploy the fund in specific areas where the HE sector is not achieving key strategic objectives or delivering effectively for students. We will identify the gaps and issues which will benefit most from additional funding before we seek to invest, using evidence that the sector will not on its own or through other means be able to achieve specific aims and objectives. The projects we fund through the ICF must help us to understand how best to position the sector to support students and strategic partners (such as employers) to address key challenges, so that there are self-sustaining solutions.
5. The aims and objectives of the fund are framed around our strategic objectives (participation; experience; outcomes; value for money; efficiency and effectiveness) and are to:
  - a. Develop new and innovative activity including new types of provision.
  - b. Bridge gaps in the HE system by supporting interventions where demand and/or supply side mechanisms are not working optimally for students, and to incentivise innovation through targeted investment.
  - c. Challenge universities and colleges to collaborate and undertake higher risk but potentially higher reward activity to improve the student experience and outcomes at a sector level.
  - d. Balance and share managed risks – particularly where there are financial contributions and complimentary investment/leveraged funding from employers and other strategic partners.

- e. Stimulate new solutions in order to respond to key issues affecting students, including their welfare and wellbeing.
  - f. Identify and build upon best practice for the benefit of students, and disseminate key findings and evidence across the sector.
  - g. Deliver value for money through the funded projects and activities.
  - h. Deliver joint strategic activity with UK Research and Innovation (UKRI) primarily through Research England.
6. Subject to board agreement we propose to issue the first calls for funding during the summer with a second tranche of calls in the autumn, which will enable the fund to formally begin operating and for funds to be allocated during AY2018-19. Information and documents will be published on our website.

### **The OfS's general duties**

7. The Innovation Challenge Fund is one of a number of mechanisms and tools that support the new Regulatory Framework and enable the OfS to deliver its general duties (set out in Section 2 of the Higher Education and Research Act 2017).
8. In particular the grant funding (to which sections 39 and 40 of the Act refers) will enable the OfS to: promote quality, choice and opportunities for students; encourage competition and collaboration between providers in the interests of students and employers whilst having due regard for institutional autonomy; deliver value for money and demonstrate that the OfS's resources can be used in an efficient, effective and economic way.
9. The funding calls will set out key challenges and issues in specific areas and detail ways in which they could be addressed by the sector. We will not seek to prescribe or impose solutions upon providers; individual providers will have the option to bid for funding and deliver additional activity in line with their own institutional context and available resources.

### **Discussion**

#### **Operation of the fund**

10. We propose that this new fund will invest in project-based activity led by HE providers, distributed through competitive bidding processes to ensure we are investing in the highest quality activity. Our funding will pump prime key developments, which will be sustained and embedded by the successful bidders to ensure that long-term value is secured for the benefit of students. A fundamental feature is that we will require and facilitate robust evaluation and dissemination of results and best practice in order to fully realise and promote the benefits of our investments for all students – the fund must not be framed so as to deliver a competitive advantage for a few providers or to interfere with institutional autonomy. This will need to be critical within our assessment and decision-making processes.
11. In operating this new fund, our aims must be to ensure it is as flexible, dynamic and responsive as possible in order to deliver proposals and projects of the highest quality in line with the OfS's general duties and in support of our priorities, and to keep pace with

government priorities. The fund must deliver robustness, accountability and provide for rigour in its distribution of public funding. We are also mindful of the scrutiny that this type of funding comes under during Spending Review processes (the next of these should take place in 2019); the fund needs to be able to demonstrate its effectiveness and added value to the government as well as to students and the HE sector.

12. We propose to distribute the funding through competitive processes, by issuing detailed calls for bids on specific topics throughout the academic year. We propose not to accept speculative bids outside of these calls. This structured approach will enable us to target the funding in the most effective way to benefit students and deliver OfS strategic priorities. It will also enable more effective evaluation and analysis of the fund's investments.
13. Specific funding calls will be developed using student engagement, external expertise, horizon scanning, and our developing analysis and foresight functions. We could also use this type of funding to respond to the outcomes of thematic reviews. We will develop and deliver calls in conjunction with our policy teams with tailored assessment processes using internal and external expertise, run as programmes of work with an evaluation and core support function embedded from the outset. Running calls for bids is strongly recommended to be the most effective and transparent way to deliver the ICF, focused on supporting ongoing and new priorities in the student interest.
14. Specific criteria for funding will be developed for each call for bids that we issue. This will ensure that the funding is targeted in the most effective way depending upon the topic, and enable providers to clearly understand our requirements for each call.
15. The approach set out in this paper builds upon lessons learnt from operating previous funding of this nature. It signals a change from the operation of the HEFCE Catalyst Fund, which for example did accept ad hoc bids from universities and colleges against a broader set of priorities and criteria. The Innovation Challenge Fund will be student-focused, outcomes-focused, and will invest in clearly defined policy priorities in key areas.
16. **Options for initial investment are set out in paragraphs 22 to 27 for discussion and agreement.**
17. Our preferred approach, in steady state, is for the board to agree the priorities for investment at least once a year. These can then be communicated to the HE sector, employers and other stakeholders to enable providers to begin preparations to ensure that we receive the highest quality bids and information – this could be particularly important where for example we may want to encourage new innovations, collaborative working, and the development of strategic partnerships.
18. We are also requesting that the board delegate authority to the Chief Executive to agree new calls for funding and their specific criteria as required throughout the year, in order to respond quickly to new priorities as they emerge. This flexibility will ensure that the fund is as responsive and dynamic as possible.
19. We intend to use round table discussions involving students and external expertise to support the formulation and detail of the funding calls. This will help to ensure that the detail of each call is fit for purpose. Advice will also be sought on the scale and amount of funding

that will be most appropriate for each call and for individual monetary bid levels. **We propose that the detailed bidding documents, the amount of funding available for each call, and the specific criteria and terms for each call will be agreed by the Chief Executive before publication.**

## Eligibility

20. During the transition period 1 April 2018 to 31 July 2019 before the Regulatory Framework takes full effect, eligibility to submit bids through the Innovation Challenge Fund needs to correspond with the current funding powers of the OfS, which reflect those that previously applied to HEFCE. This means that for AY2018-19 the ICF can fund teaching and learning projects at higher education providers previously funded by HEFCE, and projects related to the provision of prescribed courses of HE in further education colleges and sixth form colleges. We are not yet empowered to fund other providers. This though does not preclude collaborations with other providers where mutual benefits can be realised.
21. From AY2019-20, we propose that eligibility to submit bids for the fund should reflect our funding powers and responsibilities towards providers which will apply from 1 August 2019. At this point the funding powers for the 2019-20 academic year are subject to the setting of the requisite regulations defining 'eligible higher education providers' for funding purposes and 'eligible higher education courses' in relation to our funding of further education and sixth form colleges and other providers maintained or assisted by local authorities in England or Wales.

## Priorities for investment

22. Priorities for funding must be tightly focused. This will help to manage the expectations of bidders and ensure they clearly understand our requirements for each call that we publish.
23. Our preferred approach is to produce targeted calls for funding and invest in the highest quality proposals. This will of course depend upon the available budget and the quality of bids and engagement that we receive for each call. This approach will also enable us to facilitate collaborative networks and communities of practice amongst the funded projects as appropriate, to share expertise, discuss key challenges and successes, and consider lessons learnt. Key information can then be disseminated across the sector.
24. The board is invited to discuss and agree options for potential calls for bids and subsequent investments. Some of these topics could be delivered through joint funding calls with UK Research and Innovation (UKRI) to pool funding and resources across complimentary areas of teaching and research. Exploratory discussions are underway.
25. The initial options proposed for potential funding calls are set out below. This is an illustrative list, and is intended to provide an overview of key areas in which we might invest. The topics align with the new business plan and strategy. Subject to board discussion and agreement, the individual calls will be identified and developed in detail through agreement by the Chief Executive before their publication:

- a. Additional support to develop new and innovative forms of provision where there is a market gap – for example accelerated programmes such as two year degrees – and flexible models which support transition into full degrees.
- b. Improvements and innovations in mental health and wellbeing support for all students, which could be developed in conjunction with the Universities UK Mental Health in HE Advisory Group and other key partners.
- c. Support for access and participation, particularly for new ways to address the current decline in the participation of mature and part-time students, (perhaps in conjunction with employers to support new skills and retraining).
- d. Incentivising student engagement - to fund the development, implementation and impact assessment (through a student challenge process) of selected providers' Student Engagement strategies and associated key activities. We would expect providers to work directly with their students (both undergraduate and postgraduate) to deliver tangible impacts, outcomes and significant change for them.
- e. Industrial Strategy and skills:
  - i. Collaborate with UKRI on its new Strength in Places Fund (SIPF) which aims to improve place-based productivity and support the delivery of the Industrial Strategy. We could fund complimentary skills activity to build a graduate pipeline and accelerate skills developments, in conjunction with employers.
  - ii. Stimulate new activity that improves the outcomes for graduates where there are specific issues and which addresses the Industrial Strategy's priority areas. Any solutions should be collaborative between providers, employers, and other relevant local agencies. For example:
    - Help to grow the graduate pipeline for technologies of the future. As an illustrative example, the Office for Low Emission Vehicles (OLEV) has identified a need for skilled graduates to enter industry for rapidly growing work on battery life. There are though currently no programmes or apprenticeships in the HE sector to produce the future graduates and skills required – the ICF could support new provision to address these type of gaps in the market.

**26. In order to formally launch the fund, we recommend that we publish the first calls for funding during the summer. The deadline for bids would be in the autumn, with final decisions and public announcements to be made by 21 December at the latest.**

27. The board could then consider additional options for investment at its strategy session in September, for launch during the autumn in order for funding to commence in spring 2019.

## Governance and management

28. When operating similar discretionary funds, the OfS's predecessor organisation HEFCE used a standing committee (most recently the Catalyst Fund panel) to oversee the fund on behalf of the board. The committee consisted of board members and external experts and was chaired by the Chief Executive. Its main purpose was to consider higher value and higher risk, individual proposals. We do not recommend to the board that it creates a specific sub-committee for the ICF. As our preferred approach is to run funding competitions on specific topics, we recommend that we constitute standalone, expert panels to review processes and make recommendations on bids received for each individual funding call. These panels would not though hold any formal decision-making powers.
29. Membership of each panel would include experts with specific and detailed knowledge of the policy area, in order to provide for peer review. These panels will normally be chaired by the Director with responsibility for the fund, the Director for Teaching Excellence and Student Experience, or by another Director as required. Individual board members could be invited to join these panels, depending on their own expertise and interests.
30. We propose that the board is formally kept informed of the progress of the fund through the Chief Executive's regular report to each of its meetings, and through an annual report which provides a dashboard of key information covering the progress and achievements of the overall investment portfolio and details of spend against the budget.

## Approvals and risk

31. The Chief Executive has, through the Scheme of Delegation operational from 1 April 2018<sup>5</sup>, the delegated authority to agree the specific allocations to providers or to funded organisations from within programme budgets, such as the Innovation Challenge Fund. The Chief Executive also has the delegated authority to make changes to individual funding allocations and to take decisions on the recovery of grant. Recommendations from each expert panel will be provided to the Chief Executive in order for final decisions to be taken.
32. In exercising this delegated authority, the Chief Executive will have due regard to the overall level of funding involved and risk. The Chief Executive may wish to refer higher value and/or higher risk single bids or individual calls involving multiple bids to the board for final decisions. If so, the Chief Executive will provide a recommendation or set of recommendations to the board for its consideration.
33. Risk will be analysed through the internal assessment process for each call and every bids risk status will be thoroughly considered. Advice on risk will be provided to the Director and the Chief Executive by each expert panel, and particularly where single bids or individual calls involving multiple bids are considered to represent a higher investment risk.
34. In order to provide agility and flexibility, we propose that any decisions required by the board should be taken at either a) its next available meeting or b) by correspondence if this

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<sup>5</sup> <https://www.officeforstudents.org.uk/media/1339/scheme-of-delegation-from-1-april-2018.pdf>



is too far hence. The Chief Executive and Chair of the board will be requested to advise on which option is most appropriate on a case-by-case basis.

## **Budget**

35. The fund's budget will be managed and monitored by a central team working with finance colleagues. This will enable comprehensive advice and information to be provided to the Chief Executive and the board on spend for funded activity and available funding for new calls.
36. As per the current Scheme of Delegation, the board will need to agree a new annual budget for the fund (likely in March) and normally on an academic year basis. Funding will depend on available resources as set out in the strategic guidance letter from government, key priorities, and the successful progress of the fund.
37. We will aim to allocate all the available funding during each academic year. Actual spend by successful bidders will of course take place over longer timeframes. The precise allocation of all funds may not always be possible, so some funding may need to be carried over from year to year.

## **Monitoring**

38. The fund itself and each funding call will be managed by a central team working with the relevant policy team as appropriate. When funding for successful proposals is formally agreed, day-to-day activity will be managed by the policy team, to help ensure best value is realised for the investments. The central team will lead on all formal project monitoring processes, and will work with policy teams throughout to ensure robust governance, management and reporting, particularly where there is any slippage in delivery by projects and subsequent risks to public funding. This will ensure that we maximise internal resources and expertise as appropriate. We must receive robust and timely information from all funded projects, and must be able to take appropriate action and rapid interventions as necessary in the event of non-delivery, increased risk, or breaches of terms and conditions.
39. The central team will be responsible for the management and delivery of the fund's overall investment portfolio, the budget, and for co-ordinating monitoring of individual projects and programmes.
40. The central team and policy teams will deliver:
  - a. Risk based, proportionate approaches to monitoring of projects alongside standard reporting requirements, to ensure value for money and delivery of targets and objectives.
  - b. Visits to and meetings with projects to better understand the activities, impacts and outcomes being delivered and to support coherent analysis and dissemination.
  - c. Detailed analysis of successful and unsuccessful projects to understand lessons learnt and provide reports to the Directors, the Chief Executive, and the board.

- d. Networks, to enable funded projects to share expertise, learning and best practice for the benefit of students.
- e. Dissemination programmes to include national events and conferences to enable benefits to be realised beyond those providers receiving funding.
- f. Commissioned independent evaluations and impact studies of the overall work of the fund and its investments, to support the evidence base for this type of ongoing support and intervention.

41. We will request that an internal audit of the fund is conducted in its first year of operation, to ensure its processes are scrutinised appropriately and to allow for operational improvements to be implemented as required.

### **Resource implications**

42. A central team is currently responsible for implementing and developing the fund, consisting of a fund manager at 1 FTE, a project support and monitoring officer at 0.8 FTE and an administrator at 0.6 FTE. If the new fund is implemented as set out in this paper and the recommendations are accepted in full, support will be required from our policy and finance teams to ensure that the fund provides value and its operation is efficient and effective.

### **Communications and engagement**

43. We will need to agree a communications strategy for and formal launch of the fund with the new Director of External Relations, so that its purpose, aims and objectives are well understood externally and particularly how it supports our business plan, strategy, the Regulatory Framework, and our general duties.

44. All information about the fund and bidding documents will be published on the website, including details of the funded projects. We will proactively advertise calls for funding through our admin-ofs mailing list and social media. All new investments will be publicised through press releases, and we will use blogs and social media to proactively highlight ongoing results, dissemination activities, impacts and outcomes.

### **Paper publication date**

45. Our intention is to withhold immediate publication of this paper on the OfS website. We will review this exemption once the first call for proposals has been issued.

## Recommendations

The board is invited to:

- a. Agree the governance, management and operation of the fund.
- b. Agree initial priorities for investment and the first tranche of funding calls during AY2018-19, so that the fund can be formally launched.
- c. Agree that the fund should operate competitive funding calls on specific topics throughout the academic year, and should not accept speculative bids outside of these funding calls.
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