

## Innovation Challenge Fund

### Issue

1. This paper sets out two issues for the board's consideration:
  - a. The first competition for funding to be issued through the new Innovation Challenge Fund, to address the progression outcomes for those graduates who seek post-higher education employment in their home domiciled region. This is the focus of the first section of the paper. The draft specification is attached at Annex A. Paragraph 24 explains our intention to launch the fund with this competition alongside another addressing student welfare and mental ill health, which is being developed during the summer.
  - b. The governance, management and operation of the fund overall to enable its successful delivery. This is the focus of the second section of the paper.
2. This proposed competition will deliver priorities in our business plan 2018-19<sup>1</sup>, to support employability and skills benefits for students from all backgrounds and local prosperity, progression and productivity by improving outcomes for graduates<sup>2</sup>. In 2018-19, the business plan includes a commitment to the development and implementation of projects to test ways of improving progression outcomes for graduates who do not move beyond the place where they grew up and studied.
3. This competition also signals our support for the Industrial Strategy, following the board's approval at its meeting in May for our strategic plans to help deliver its objectives<sup>3</sup>.
4. Overall, the Innovation Challenge Fund will encourage innovative and novel solutions to address important sector level issues in higher education which require targeted investment. This competition provides an example for the board of how we will use the fund to tackle policy issues which are important for students. We stated in the business plan that we will work to, 'determine the strategic focus of the fund, which could include access and participation, wellbeing, novel provision, and joint work with UKRI'<sup>4</sup>.

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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> <https://www.officeforstudents.org.uk/media/1439/ofs-201819.pdf> - business plan page 11; (Strategic objective: Outcomes P1.2, E1.3).

<sup>3</sup> Board paper on delivering the Industrial Strategy -

<https://hub.officeforstudents.org.uk/media/1583/bd2018may91-ofs-and-the-industrial-strategy-final.pdf>

<sup>4</sup> Business plan page six; (Strategic objective: Experience P1.2, E2.3, O1.2).

5. Alongside the business plan, the fund will also support the delivery of objectives in our longer term strategy (2018-2021), particularly those priorities which are important for economic prosperity. The strategy makes clear our intention to ensure that every student, whatever their background, has a fulfilling experience of higher education that enriches their lives and careers, and importantly for this competition that graduates and postgraduates leave with the knowledge and skills that will contribute to their local economies and communities, and help drive productivity<sup>5</sup>.

## Recommendations

6. The board is invited to:
  - a. Review the draft specification for the competition at Annex A and provide any comments.
  - b. Delegate authority to the Chief Executive to agree the final version of the competition, so that the fund can be formally launched.
  - c. Agree the governance, management and operational arrangements for the fund.
  - d. Note the process for decisions and approvals including the delegated authority for the Chief Executive.
  - e. Agree that the fund should operate competitions on specific priorities throughout the academic year, and should not accept speculative bids outside of these processes.
  - f. 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 all new competitions as required throughout the year.
  - g. Agree to receive an annual progress report including details of the fund's budget.

Following the board's approval of the business plan and strategy, decisions are required at this meeting to enable the fund to formally commence and begin to deliver objectives in AY2018-19.

## Further information

7. Available from Yvonne Hawkins, Director for Teaching Excellence and Student Experience (0117 931 7214, [yvonne.hawkins@officeforstudents.org.uk](mailto:yvonne.hawkins@officeforstudents.org.uk)); Chris Millward, Director for Fair Access and Participation (0117 931 7448, [chris.millward@officeforstudents.org.uk](mailto:chris.millward@officeforstudents.org.uk)) or Matt Jennings, currently responsible for leading the development of this new fund (0117 931 7157, [matt.jennings@officeforstudents.org.uk](mailto:matt.jennings@officeforstudents.org.uk)).

## Member's interests

8. Individual board members should declare any conflicts of interest in relation to any of the information provided in this paper.

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<sup>5</sup> Strategy 2018 to 2021, page four - <https://www.officeforstudents.org.uk/media/1435/ofs-strategy-2018-to-2021.pdf>

## Background

9. In March the board agreed that a new discretionary fund be developed, the Innovation Challenge Fund (ICF)<sup>6</sup>. The fund represents an important part of the delivery of the business plan for 2018-19. Following discussions on the proposed implementation and operation of the fund at its meeting in May, we agreed to return to the board with additional details. The first section of the paper sets out the rationale for the competition. The draft specification is set out in full at Annex A and following the board's comments and final approval by the Chief Executive, will enable the ICF to be formally launched. As paragraph 25 explains, the aim is to launch the fund with this competition alongside another addressing student welfare and mental ill health, which is being developed during this summer.

## Part One: Competition: Industrial Strategy and Skills – Support for Local Students and Graduates

10. The OfS seeks to ensure that all students, from all backgrounds, and with the ability and desire to undertake higher education are:
  - a. Supported to access, succeed in, and progress from, higher education.
  - b. Able to progress into employment or further study, with their qualifications holding their value over time.
  - c. Receiving value for money.
11. A successful outcome and progression into the graduate job market following higher education is affected by a student's background, what they study and where they study it. The likelihood of a positive outcome is heavily influenced by these factors, but also by the location where graduates intend to seek graduate-level work.
12. Sixty-nine per cent of graduates in the 2015-16 Destinations of Leavers from Higher Education (DLHE) survey took their first job in their home domicile region. Therefore, opportunities for successful progression into skilled employment for more than two thirds of graduates depends on the demand for graduate skills in their home regions or sub-regions.
13. The graduate labour market is unevenly distributed with larger cities enjoying more diverse job markets than smaller ones and non-urban areas. For example, in 2016, London, Birmingham, Manchester and Leeds accounted for 35 per cent of all professional level employment for new graduates in England<sup>7</sup>.
14. Analysis suggests that some local labour markets are not easily accessed by particular types of graduates due to the associated costs. Data from the Centre for Cities has estimated that the housing affordability ratios<sup>8</sup> of Oxford, London and Cambridge were over 15 and that several other university cities in the south, such as Brighton, Bournemouth, Reading and Exeter, had ratios of over ten. In these cities, the cost of living could act as a barrier to labour market entry for particular types of graduates.

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<sup>6</sup> [https://www.officeforstudents.org.uk/media/1447/ofs2018\\_22.pdf](https://www.officeforstudents.org.uk/media/1447/ofs2018_22.pdf)

<sup>7</sup> Data from 2015-16 DLHE.

<sup>8</sup> The housing affordability ratio is the ratio of average local annual salary to average local house price. A ratio of 15 means that a house costs 15 times an annual salary. Data is here:

<http://www.centreforcities.org/reader/cities-outlook-2018/city-monitor/#table-16--housing-affordability-ratio>

15. The graduate labour market is further affected by uneven regional productivity. The Office for National Statistics (ONS) Regional and Sub-Regional Productivity in the UK release (February 2018) indicates that the English Local Economic Partnerships (LEPs) with the highest labour productivity in 2016 were London followed by Thames Valley Berkshire, while the lowest productivity LEP was Cornwall and the Isles of Scilly. The City Region with the lowest labour productivity was the Sheffield City Region.<sup>9</sup>
16. At the same time, we are increasingly aware that many graduates, whether by choice or circumstance, are not as mobile as they could be. Analysis by Charlie Ball (Head of HE Intelligence, Prospects) of domicile, institution and workplace data using the 2015-16 DLHE survey shows that 45 per cent of graduates did not move regions at all. These graduates studied and sought post-study employment in their home domiciled region. It is this group which contains the highest proportion of mature learners as well as the highest proportion of socio-economically disadvantaged graduates (as indicated by POLAR quintile 1 backgrounds)<sup>10</sup>. Our Data, Foresight and Analysis Directorate (DFA) has confirmed these conclusions, and we will work with the DFA throughout this scheme.
17. When taken together, these issues are likely to present significant implications for the expectations and outcomes for graduates from areas that are on the periphery of the graduate labour market. In order that they may find and achieve suitable graduate-level job opportunities, we are interested in finding new ways to support those graduates who seek work in home domiciled regions which may have lower productivity and growth. In particular, we are concerned that those graduates without access to other forms of support and resources may become locked out of graduate-level jobs. This could have implications for their ability to apply their skills to help support productivity and prosperity, and for social mobility more broadly. We want to support choice for graduates in order for them to: maximise their investment in higher education; fully utilise the qualifications and experiences they have obtained; and reach their full potential.
18. In summary, the problem for which this competition is seeking innovative solutions can be framed as: Graduates do not necessarily move to wherever skilled jobs are available. Data shows that a significant portion of graduates remain in their home regions for a variety of reasons, and this is more pronounced in some regions than others. Regional productivity and growth is uneven and, therefore, the likelihood of successful graduate outcomes relates to graduates' abilities to locate themselves in areas of stronger productivity or more diverse labour markets where their skills are in demand. We want to support choice for graduates, particularly in areas with lower productivity or more restricted labour markets. As set out in the Industrial Strategy, many regions need their skills and knowledge in order to thrive. How, therefore, can the employment outcomes for graduates be improved by providers working innovatively with employers and local agencies for mutual benefit?

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<sup>9</sup> Labour productivity is defined as the quantity of goods and services produced per unit of labour input, for example, per hour worked or per filled job. It is one of the most widely used measures of economic performance of a nation or an area.

(<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/regionalandsu-bregionalproductivityintheuk/february2018>).

<sup>10</sup> [https://www.hecsu.ac.uk/assets/assets/documents/Graduate\\_Market\\_Trends\\_Autumn\\_2017\(1\).pdf](https://www.hecsu.ac.uk/assets/assets/documents/Graduate_Market_Trends_Autumn_2017(1).pdf)

19. Some of these issues may seem to be beyond the scope of individual providers. However, at its meeting in May the board was keen for the ICF to identify complex problems affecting students and to invite providers to respond with innovative proposals. We have seen that providers can design innovative solutions to similarly complex issues through funded programmes like the Degree Apprenticeship Development Fund and the National Collaborative Outreach Programme. Partnership solutions between higher education, employers and local agencies can be effective in improving access, raising aspirations, and supporting graduates into more positive outcomes. The OfS is uniquely placed to drive activities that can enhance progression into graduate level jobs and in turn help to develop the skills that the economy needs.
20. This competition will invite providers to develop and implement projects to test ways of improving progression outcomes for graduates. Bids will have to set out ambitious goals to change outcomes and show how these can be achieved. We will expect providers to work with and secure explicit support from students, employers and local agencies to find innovative solutions to region-specific graduate labour market issues. We will also expect providers and the partners involved to commit their own funding and resources alongside any ICF investment. We are working with UK Research and Innovation (UKRI) through Research England to draw appropriate synergies between its Strength in Places Fund (SIPF<sup>11</sup>) and this competition.
21. We propose to make available to providers between £100k and £500k, depending upon the scale of the proposed innovations and activities and quality of their bid. Bids must set out innovative and ambitious proposals to address the progression outcomes for those graduates who seek post-study employment in their home domiciled region. We expect bids to identify and evidence the particular intervention that they will make, with a programme of clear actions in conjunction with employers and other partners. We will expect them to articulate not only the intended outputs but also to measure improving outcomes for graduates, employers and the locality.
22. In order to achieve a balanced portfolio of projects we are aiming to fund approximately 20 high quality bids across the country. We expect to spend approximately £5-6 million on bids for this competition; given the topic we expect it to be popular and the final decisions will depend upon the level of engagement and quality of bids that we receive. The successful bidders will be brought together to form a network, in order to share and disseminate emerging, real-time learning from their projects with each other and with the OfS and then for the benefit of the sector and the widest number of students.
23. The projects funded and analysis undertaken as part of this scheme will inform concurrent work across the Directorate of Fair Access and Participation (led by our Skills team) and the DFA, to develop measures of the higher education system's ability to meet future labour market demands and requirements.
24. This competition is provided to the board as an example of how the fund will be operated. The board is requested to comment on the draft specification at Annex A. Subject to final

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<sup>11</sup> The Strength in Places Fund is a new competitive funding scheme that takes a place-based approach to research and innovation funding, to support significant regional growth - <https://www.ukri.org/funding/funding-opportunities/strength-in-places-fund/>

approval by the Chief Executive, we intend to launch the fund in September with an announcement of this competition alongside another to support student welfare and mental ill health. This will send a strong message that the OfS supports students in these crucial areas both during and after their studies. All bidding information and documentation will be available on our website. We intend for announcements of the winners to be made and funding to commence early in 2019.

### **Future bidding competitions**

25. During AY2018-19 we propose to develop competitions to address other systemic weaknesses in the higher education system and/or to stimulate responses to urgent emerging demands. This will include support for student welfare particularly mental ill health (as advised in paragraph 24 and in line with our developing strategy for student welfare and safeguarding which will be the subject of a separate board paper in September); a third competition to provide support for part-time and mature students (in line with our developing strategy which is the subject of a separate board paper at this July meeting) is also planned.
26. If the board is content with our approach to delivering this competition and the fund overall, we will continue to work on new specifications and provide information on progress through the Chief Executive's report at subsequent board meetings.

### **Part Two: Operation of the Innovation Challenge Fund**

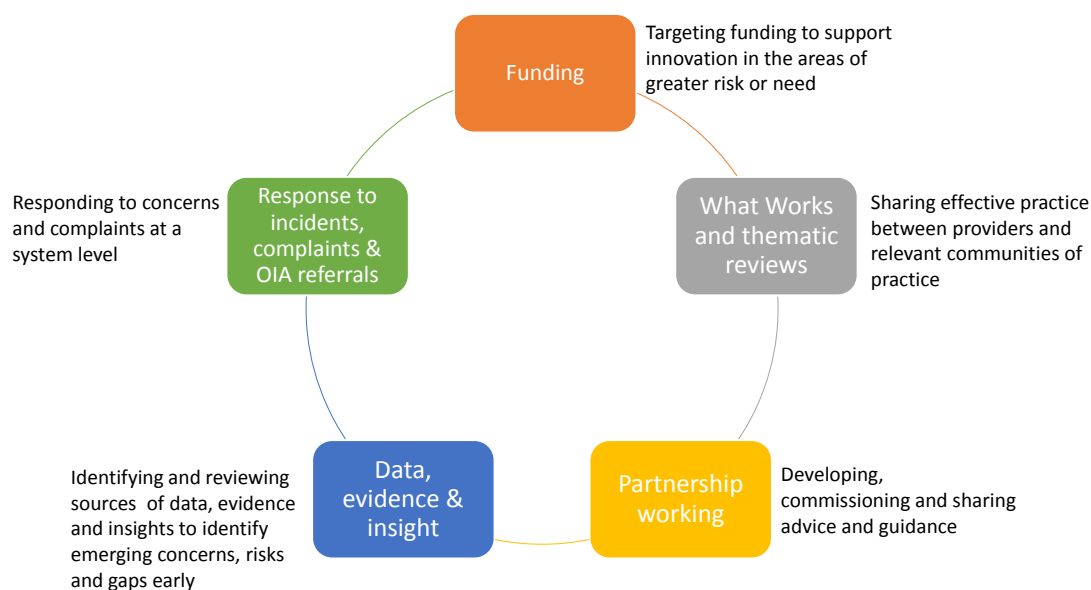
27. This next section sets out how we propose to operate and manage this new fund. The board should consider these governance and management arrangements alongside the proposed competition, as an illustration of how the fund will operate in practice.

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

28. The innovative funding competitions we publish will set out challenges and issues in specific areas where there are system weaknesses or failures, or where we need to stimulate responses to meet demand, such as in this proposed competition to test ways of improving progression outcomes for graduates who seek post-study employment in their home domiciled region.
29. The fund will not seek to prescribe or impose solutions upon providers; individual providers will have the option to bid to deliver innovations in line with their own institutional context, strategic partnerships, and available resources.
30. The Innovation Challenge Fund is one of a number of mechanisms and tools that support the new Regulatory Framework and enable the OfS to have regard to its general duties (set out in Section 2 of the Higher Education and Research Act 2017). In particular this type of funding (to which sections 39 and 40 of the Act refers) will enable the OfS at sector level 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; and deliver value for money.

31. Building upon the board’s consideration in May of the OfS’ role as a sector regulator<sup>12</sup>, the diagram below illustrates how the ICF supports our regulatory functions. It will focus on: funding; partnership working; and What Works and thematic reviews, as per the right hand section of the diagram. The fund will use data, evidence and insight to frame the priorities for investment and the detail of competitions that are issued. Active evaluation and networks of funded projects will be built into each competition to ensure we can identify and disseminate effective practice and learning from competitions for the benefit of the widest number of students, graduates and partners.

Regulatory tools to deliver defined outcomes:



## Aims and objectives

32. In operating this new fund, our aims must be to ensure it is as flexible, dynamic and responsive as possible in order to deliver outcomes of the highest quality in line with the OfS’s general duties and in support of our business plan and strategy, and to keep pace with government priorities. There is also an opportunity to deliver more radical solutions to support students. The fund must though deliver robustness, accountability and provide for rigour in its distribution of public funding. We must be mindful of the scrutiny that this type of funding could come 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 higher education sector.

33. Board members will be aware that the government’s strategic guidance letter and priorities for AY2018-19 asks the OfS to:
- Support the government’s economic policy and the Industrial Strategy, enhancing collaboration with employers to deliver skills and employability for graduates from all backgrounds. The use of this type of competitive funding is specifically referenced in this section of the letter.

<sup>12</sup> <https://hub.officeforstudents.org.uk/media/1580/bd2018may61-ofs-role-as-a-sector-regulator-final.pdf>

- b. Encourage greater diversity of provision to support choice.
  - 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.
34. This new fund will be a targeted tool to enable the OfS to respond to endemic weaknesses in the system and/or to stimulate innovative responses to emerging urgent demands. We will deploy the fund in specific areas where the higher education sector is not delivering effectively for students or achieving core objectives. We will identify the strategic gaps which can benefit most from innovation funding before we seek to invest, using evidence that the sector will not on its own or through other means be able to achieve the desired solutions/strategic response. The bids we fund must help us to understand how best to position the sector to support students and partners (such as employers) to address challenges, so that there are self-sustaining solutions.
35. We propose that the fund will invest in specific projects led by higher education providers, determined through competitive bidding processes to ensure we are investing in the highest quality activities. Our funding will pump prime essential developments, which will be sustained and embedded by the successful bidders to ensure 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 – this fund and its calls must not be framed so as to deliver a competitive advantage for a few providers or to interfere with institutional autonomy. These points will need to be foremost within our assessment and decision-making processes.
36. The objectives of the fund are aligned with 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 higher education system by supporting interventions where demand and/or supply side mechanisms are not working optimally for students and graduates, and to incentivise innovation through targeted investment.
  - c. Challenge providers 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 and imaginative solutions in order to respond to important issues affecting students, including their welfare and wellbeing.
  - f. Identify and build upon best practice for the benefit of students, and disseminate findings and evidence across the sector.
  - g. Deliver value for money through the funded projects and activities.
  - h. Deliver joint strategic activity with UKRI primarily through Research England.

Bids will require explicit support from students, and other strategic partners as required depending upon the nature of each competition (for example, employers, local



government.) as well as from the provider itself. Proposals will have to set ambitious goals to enable change and deliver successful outcomes for students. Bidders will also need to commit their own resources alongside any ICF investment – and we may require one-to-one match funding for some competitions.

37. In steady state the competitions will be developed using some or all of: student engagement; external expertise; horizon scanning; and our developing analysis and foresight functions as appropriate. We could also use this type of funding to respond to the outcomes of thematic reviews. We will develop and deliver competitions in conjunction with our policy teams, with tailored assessment processes using internal and external expertise, run as specific programmes of work with an evaluation and core support function embedded from the outset. Running competitions 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.
38. We intend, for example, to use in steady state round table discussions involving students and other external expertise to support the formulation and detail of the competitions. This will help to ensure that each competition is tailored and purposeful. Advice will be sought on the scale and amount of funding that will be most appropriate for each competition and for individual monetary bid levels.
39. We propose not to accept speculative bids outside of the structured competitions. This approach will enable us to target our funding in the most effective way to support students and deliver OfS strategic priorities, rather than to benefit individual providers. It will also enable more effective evaluation and analysis of the fund's investments on a thematic basis.
40. Detailed criteria for funding will be developed for each competition that we issue, as per the example set out at Annex A. This will manage the expectations of bidders and provide transparency, and enable providers to clearly understand our requirements for each competition. We will not though be prescriptive about the way in which solutions are designed, as we want to encourage innovation, risk sharing and managed risk-taking, and radical and imaginative thinking by bidders.
41. As a general operating principle each competition will need a proportionate assessment mechanism relative to the monetary value of the awards; for example where the monetary ceiling is higher and/or we wish to make very selective decisions interviewing bidders could be appropriate. We will need to consider and flex the assessment mechanism for each competition to ensure proportionality and rigour.
42. The approach set out in this paper for the proposed first competition and the operation of the ICF overall builds upon lessons learnt from operating previous funding of a similar nature. It does however signal 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 ICF will be student-focused, outcomes-focused, and will invest in clearly defined policy priorities where there are system weaknesses or failures, or where we need to stimulate responses to meet demand.

43. Our preferred option, beyond start-up phase, is for the board to discuss priorities for investment at least once a year. These can then be communicated to the higher education sector and other stakeholders to enable providers to begin their preparations to ensure that we receive the highest quality bids for each competition – this will be particularly important where for example we want to encourage collaborative working and the development of new strategic partnerships.
44. We are requesting that the board delegate authority to the Chief Executive to agree all new bidding competitions and their specific criteria. This process will ensure that the fund is as responsive and dynamic as possible. We will report to the board on the competitions issued throughout the academic year. We propose that final bidding documents, the amount of funding available, and specific criteria and process for each competition must be agreed by the Chief Executive before publication.

### **Priorities for investment**

45. The priorities for this funding must be tightly focused from the outset. Our approach will be to produce targeted competitions and invest only in the highest quality proposals. This will enable us to facilitate collaborative networks and communities of practice amongst the successful bidders, to share expertise, discuss challenges and successes, and consider lessons learnt. Findings will be disseminated across the sector.
46. Some competitions could be delivered through collaborative working with UKRI to pool funding and resources across complimentary areas of teaching and research; exploratory discussions are progressing on areas of mutual interest.

### **Eligibility**

47. 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 higher education 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.
48. 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. Draft regulations, which at the time of writing remain subject to parliamentary approval, define 'eligible higher education providers' for our funding purposes as those in the Approved (fee cap) part of the register.

### **Governance and management**

49. When operating similar 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. Our preferred approach is to run competitions by constituting standalone, expert panels to review specifications and provide advice on bids received. These panels would not hold any formal decision-making powers.

50. Membership of each panel will include experts with knowledge of the policy area. The panels will normally be chaired by the Director with responsibility for the fund, currently the Director for Teaching Excellence and Student Experience, or by another Director as required. Individual board members could be invited to join panels, depending on their own expertise and interests.

51. We propose that the board is kept informed of the progress of the fund through the Chief Executive's reports, and through an annual report which will provide a dashboard of information covering the progress and achievements of the overall investment portfolio and details of spend against the allocated budget.

## **Approvals and risk**

52. The Chief Executive has, through the Scheme of Delegation operational from 1 April 2018<sup>13</sup>, the delegated authority to agree the specific allocations to providers or to funded organisations from within programme budgets, such as the ICF. The Chief Executive has the delegated authority to make changes to individual funding allocations and to take decisions on the recovery of grant. Advice from each expert panel will be provided to the Chief Executive in order for final decisions to be taken.

53. 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 individual bids, or 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.

54. Risk will be analysed through the internal assessment process for each call and each bid's 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 individual bids or multiple bids, are considered to represent a higher investment risk.

55. 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 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**

56. The board has agreed a budget for the fund of up to £20 million in AY2018-19<sup>14</sup>. This will be spread amongst the competitions that we issue during the year, as each will require a different level of investment. The fund's budget will be managed and monitored by a central team working with finance colleagues. This will enable comprehensive advice and

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<sup>13</sup> <https://www.officeforstudents.org.uk/media/1339/scheme-of-delegation-from-1-april-2018.pdf>

<sup>14</sup> At its meeting on 26 March - [https://www.officeforstudents.org.uk/media/1447/ofs2018\\_22.pdf](https://www.officeforstudents.org.uk/media/1447/ofs2018_22.pdf)

information to be provided to the Chief Executive and the board on spend for funded activity and the available funding for new competitions.

57. As per the current Scheme of Delegation, the board will need to agree a new annual budget for the fund (likely in March) normally on an academic year basis. This will depend on factors such as resources as set out in the strategic guidance letter from government, the priorities for investment, and the successful progress of the fund overall.
58. 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 funding may not always be possible, so some funds may need to be carried over from year to year.

## Monitoring

59. The fund itself and each competition will be overseen and managed by a small central team working with relevant policy teams as appropriate. When funding for successful bids is formally agreed, day-to-day activity will be managed by the policy team, to help ensure best value is realised from the investments made. The central team will lead on all formal project monitoring processes, and will work with policy teams to ensure robust governance, management and reporting, particularly if 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 be able to take proportionate action and rapid interventions as necessary in the event of non-delivery, increased risk, or breaches of terms and conditions.
60. 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 competitions.
61. The central team and policy teams together 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. Analyses of successful and unsuccessful projects to understand lessons learnt and provide reports to the Chief Executive, Directors, and the board.
  - d. Facilitated 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 particular type of funding intervention.

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

### **Resource implications**

63. The central team currently responsible for implementing and developing the fund consists 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's operation is efficient and effective. Additional resource is not required. In this example, the central team is working with the Skills policy team to deliver the competition.

### **Communications and engagement**

64. We intend to launch the fund in September with an announcement of this competition alongside another to support student welfare and mental ill health. We are discussing a communications strategy with the Director of External Relations and his team, so that the fund's purpose, aims and objectives will be well understood externally, particularly how the ICF supports the delivery of our strategy and business plan.

65. All information about the fund and bidding documents will be published on our website, including, in time, details of the funded projects for each competition. We will proactively advertise competitions 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 projects, dissemination activities, and impacts and outcomes.

### **Paper publication date**

66. Our intention is to withhold immediate publication of this paper on the OfS website. We will review this exemption when the fund and the first competitions have been formally launched.

### **Recommendations**

67. The board is invited to:

- a. Review the draft specification for the competition at Annex A and provide any comments.
- b. Delegate authority to the Chief Executive to agree the final version of the competition, so that the fund can be formally launched.
- c. Agree the governance, management and operational arrangements for the fund.
- d. Note the process for decisions and approvals including the delegated authority for the Chief Executive.

- e. Agree that the fund should operate competitions on specific priorities throughout the academic year, and should not accept speculative bids outside of these processes.
- f. 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 all new competitions as required throughout the year.
- g. Agree to receive an annual progress report including details of the fund's budget.

Following the board's approval of the business plan and strategy, decisions are required at this meeting to enable the fund to formally commence and begin to deliver objectives in AY2018-19.

## Annex A

### Bidding competition: Industrial Strategy and Skills – Support for Local Students and Graduates

1. This competition, to be delivered through the new Innovation Challenge Fund (ICF), invites providers to develop and implement projects to test ways of supporting the transition to highly skilled employment and improving outcomes for graduates who seek employment in their home domiciled region. The competition supports the priorities of the OfS to promote social mobility and contribute to economic prosperity.
2. Around 45 per cent of graduates responding to the 2015-16 DLHE survey sought post-study employment in their home domiciled region. Given uneven regional productivity, the variability of labour markets across the country, and constraints around mobility for some graduates, we recognise that there may be a risk of achieving successful outcomes for graduates who seek post-study employment in areas with lower productivity and growth. We want to support choice for graduates and students and, as set out in the Industrial Strategy, many regions need their skills and knowledge in order to thrive. We are particularly interested to understand how providers can help improve the employment outcomes for graduates through partnership working with employers and local agencies.
3. The OfS intends to support a range of projects that will deliver innovative approaches for graduates and particular student groups in order to contribute to improved outcomes and local prosperity. Through this process we want to identify:
  - a. What interventions work best in a variety of different regional and local contexts to support progression into highly skilled employment,
  - b. what interventions work best for different types of students and graduates,
  - c. findings that can continue to shape sector-wide debate and inform interventions to capitalise on graduate skills and knowledge for the benefit of individuals and for economic prosperity.
4. Providers with successful bids will be expected to form a network to share, discuss and disseminate key information amongst themselves, the OfS, strategic partners, and the wider sector as required.
5. Bids for this call from eligible providers should be submitted to xxxxx@officeforstudents.org.uk by 17:00 on 26 November 2018.

### Introducing the Innovation Challenge Fund

6. This new fund has been developed by the OfS in order to respond to different types of priorities for and issues affecting students, where there will be clear benefits to be derived from a targeted funding intervention. We will deploy the ICF in specific areas where the higher education sector is not delivering effectively for students or achieving strategic objectives. We will identify the gaps and sector level issues which will benefit most from innovation funding before we seek to invest, using evidence that the higher education 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 important challenges, so that there are self-sustaining solutions. The fund forms a significant part of achieving our business plan for 2018-19 and our longer-term strategy through to 2021.

7. The fund will invest in specific projects led by eligible higher education providers, determined through competitive bidding processes to ensure we are investing in the highest quality activities. Our funding will pump prime innovative developments, which must 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.
8. We will issue bidding competitions and invite proposals on specific topics throughout the academic year; we will not accept any bids outside of these structured competitions. More information about the fund is available on our website.
9. During the transition period 1 April 2018 to 31 July 2019 before the Regulatory Framework takes full effect, eligibility to submit bids through the ICF must 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 projects at higher education providers previously funded by HEFCE, and projects related to the provision of prescribed courses of higher education in further education colleges and sixth form colleges.

### **Purpose of this call for bids**

10. The OfS seeks to ensure that all students, from all backgrounds, and with the ability and desire to undertake higher education are:
  - a. Supported to access, succeed in, and progress from, higher education,
  - b. able to progress into employment or further study, with their qualifications holding their value over time,
  - c. receiving value for money.
11. A successful outcome and progression into the graduate job market following higher education is affected by a student's background, what they study and where they study it. The likelihood of a positive outcome is heavily influenced by these factors, but also by the location where graduates intend to seek graduate-level work.
12. Sixty-nine per cent of graduates in the 2015-16 Destinations of Leavers from Higher Education (DLHE) survey took their first job in their home domiciled region. Therefore, opportunities for successful progression into skilled employment for more than two thirds of graduates depends on the demand for graduate skills in their home regions or sub-regions.
13. The graduate labour market is unevenly distributed with larger cities enjoying more diverse job markets than smaller ones and non-urban areas. For example, in 2016, London,



Birmingham, Manchester and Leeds accounted for 35 per cent of all professional level employment for new graduates in England<sup>15</sup>.

14. Analysis suggests that some local labour markets are not easily accessed by particular types of graduates due to the associated costs involved. Data from the Centre for Cities estimated that the housing affordability ratios<sup>16</sup> of Oxford, London and Cambridge were all over 15 and that several other university cities in the south, like Brighton, Bournemouth, Reading and Exeter, had ratios of over ten. In these cities, the cost of living could act as a barrier to labour market entry for particular students.
15. The graduate labour market is further affected by uneven regional productivity. The Office for National Statistics (ONS) Regional and Sub-Regional Productivity in the UK release (February 2018) indicates that the English Local Economic Partnerships (LEPs) with the highest labour productivity in 2016 were London followed by Thames Valley Berkshire, while the lowest labour productivity LEP was Cornwall and the Isles of Scilly. The City Region with the lowest labour productivity was the Sheffield City Region.<sup>17</sup>
16. At the same time, we are increasingly aware that many graduates, whether by choice or circumstance, are not as mobile as they could be. Analysis by Charlie Ball (Head of HE Intelligence, Prospects) of domicile, institution and workplace data using the 2015-16 DLHE survey shows that 45 per cent of graduates did not move regions at all. These graduates studied and sought post-study work in their home regions. It is this group which contains the highest proportion of mature learners as well as the highest proportion of socio-economically disadvantaged graduates (as indicated by POLAR quintile 1 backgrounds)<sup>18</sup>.
17. The mobility of graduates is complex; some are unable to move for highly skilled work, while others have a preference for a location. Some graduates could become more mobile with different forms of support and improved information, advice and guidance. Ultimately, it must be for students and graduates to decide where they want to study and work. However, personal choice can be limited and influenced by economic and political factors relating to place, such as those detailed above. When taken together, these issues are likely to present significant implications for the expectations and outcomes for graduates seeking work in areas that are on the periphery of the graduate labour market.
18. We are interested in finding new ways to support graduates and students to progress into the labour market. In particular, we are concerned that those graduates without access to other forms of support and resources may become locked out of graduate-level jobs. This could have implications for their ability to apply their skills to support productivity and

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<sup>15</sup> Data from 2015-16 DLHE.

<sup>16</sup> The housing affordability ratio is the ratio of average local annual salary to average local house price. A ratio of 15 means that a house costs 15 times an annual salary. Data is here:

<http://www.centreforcities.org/reader/cities-outlook-2018/city-monitor/#table-16--housing-affordability-ratio>

<sup>17</sup> <sup>17</sup> Labour productivity is defined as the quantity of good and services produced per unit of labour input, for example, per hour worked or per filled job. It is one of the most widely used measures of economic performance of a nation or an area

(<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/regionalandsu-bregionalproductivityintheuk/february2018>).

<sup>18</sup> [https://www.hecsu.ac.uk/assets/assets/documents/Graduate\\_Market\\_Trends\\_Autumn\\_2017\(1\).pdf](https://www.hecsu.ac.uk/assets/assets/documents/Graduate_Market_Trends_Autumn_2017(1).pdf)

prosperity, and for social mobility more broadly. We want to support choice for graduates in order for them to: maximise their investment in higher education; fully utilise the qualifications and experiences they have obtained; and reach their full potential.

19. In response, OfS will make available between £100k and £300k to providers to develop and implement innovative projects to test ways of improving transition into highly skilled employment for graduates and students who seek work in their home regions. Up to £500k will be available for collaborative bids involving higher education providers working with strategic partners. We expect the funding requested to reflect the size of the target student group, the relative scale of improvements the activities aim to achieve, and the innovativeness of the approach.
20. We expect bids to clearly identify and evidence the issue they seek to address in terms of defining a group of students/graduates with particular characteristics, and/or a feature of the local labour market where they seek to catalyse change. Bidders should propose a programme of innovative activities aimed at making a measurable difference which will be seen in the outcomes for the identified graduate and student groups, and the local economy. We particularly want to receive bids from consortia of different types of providers and strategic partners that can work together to identify and address the issues set out in this competition.
21. We also welcome bids that examine the extent of place-based decision-making in student and graduate career choices and the drivers behind those decisions, in order to inform our understanding of student choice and decision-making and to support our improvement strategies for student information.

## **Priorities and criteria**

22. Bids should meet one or more of the following OfS priorities:

- a. To improve the rates of progression of students from underrepresented groups, particularly those from minority ethnic groups and those with disabilities;
- b. To improve graduate outcomes of mature students or part-time students intending to remain in their local area for study and post-study work;
- c. To address skills gaps by ensuring interventions developed to enhance graduate outcomes are responsive to and reflective of local labour market demands.

23. Bids will require:

- a. Explicit support from students, employers, and relevant local agencies as well as from the higher education provider itself.
- b. Ambitious goals to change outcomes and to show how these will be achieved.
- c. Evidence of the funding and resources that all partners and stakeholders will commit towards the project.

24. Bids for this funding competition will be considered and assessed against the following criteria:

- a. The extent to which the activities for which funding is requested will address barriers and challenges associated with the lower mobility of graduates and students, which affects their ability to fulfil their potential and achieve successful employment outcomes.
- b. The extent to which proposed activities will test new and innovative approaches or are extending or scaling up from existing practice. The ambition in the bid should be underpinned by appropriate risk management and mitigations and should demonstrate clear additionality from any activities which are already planned or underway.
- c. The extent to which the proposed activities support the specific needs of the identified student population and local area, and the extent to which students and graduates are directly involved in the development of key activities where appropriate.
- d. The extent to which proposals are supported by external investment and funding from partners, particularly employers. We expect to see a proportionate funding contribution from all the partners involved in the proposal. This will help to evidence demand and share risk.
- e. Proposals must offer value for money for OfS investment.
- f. The extent to which the bid will form part of a balanced portfolio of funded activity for this scheme overall – we will seek as far as is possible a spread of regional activity in order to test interventions and innovations for different types of students and graduates and in different types of regions.
- g. The ambition and likelihood that the activities will secure a step change in practice and continue to sustain improved outcomes for students and local areas over the medium to long term.

25. Funding will be provided to the successful bidders on the following basis:

- a. A maximum level of £300k and a minimum level of £100k for individual providers. We welcome collaborative bids involving different types of higher education providers, particularly those providers which are not yet eligible to lead a bid. We will offer up to £500k for collaborative bids. We will look more favourably on bids which involve a collaboration of higher education providers and other strategic partners working together to address progression issues in their regional or local area.
- b. The funding available is revenue only and must not be used for capital expenditure.
- c. Projects must not run beyond three years. There is no minimum term, but we will only fund viable projects which will deliver value for money and which according to the consideration and judgements through the assessment process most effectively meet our criteria.
- d. In order to capture the maximum information about the outcomes and impacts from this competition, the funded projects will be required to form a network to disseminate and learn in real time the emerging lessons from their work. We will appoint an external evaluator to work with the successful projects. We will expect active engagement with the network and evaluation throughout the funding period and for the life of this programme overall.

- e. We will accept no more than one individual bid per provider. Through collaboration, providers may be involved in additional bids, with each collaborative bid requiring an eligible lead provider for funding purposes. Providers may not act as the lead on more than one bid.
- f. This funding is intended to support new activity. We do not expect to fund activities already underway, or those which would take place irrespective of this competition. If proposals build on already planned activity, or overlap with existing activities (e.g. Access and Participation Plan commitments or the National Collaborative Outreach Programme (NCOP) ), they should make clear how the requested funding will provide genuine additionality and avoid duplication.
- g. We expect any provider that has been involved in submitting proposals to UKRI's Strength in Places Fund (SIPF) to make us aware of their involvement as part of any bid for this ICF competition. We also expect relevant bidders to explain clearly how any activity proposed as part of this competition does not duplicate any proposed SIPF activities and, where possible, make explicit how ICF and SIPF activities will be complementary.
- h. In order to capture the full impact of this funding, the successful projects will need to continue to measure graduate outcomes beyond the life of the funding.
- i. We anticipate supporting a wide range of projects in order to deliver a diverse set of evidence-based bids to address progression outcomes for local graduates and students.

### Bidding process and timescales

26. Eligible providers are invited to submit bids for funding using the template at Annex B. Proposals should be emailed to xxx@officeforstudents.org.uk by 17:00 on 26 November. Late submissions will not be accepted. Bids not using or altering the template will be deemed to be invalid and will not be assessed. Bids should not exceed the maximum length specified in Annex B.

27. Following submission, bids will be assessed internally and considered by a panel comprising of external experts. Final decisions will be made by our Chief Executive or our board, depending upon considerations of cost and risk.

28. The timetable for this call is set out below:

Activity	Date
Deadline for bids.	17:00 on 26 November 2018
Assessment process and panel meeting to review and recommend bids for funding.	During December 2018 and January 2019
Decisions communicated to bidders.	February 2019
Funding commences and public announcements made.	

### Monitoring requirements

29. Funded projects will be subject to individual monitoring arrangements depending upon the level of funding awarded and risk assessment. We will issue grant award letters to all

funded projects setting out the terms and conditions of the funding, which must be formally agreed before grant payments will commence. We will take a risk based, proportionate approach to monitoring, to ensure value for money and the delivery of targets, objectives, and outputs and outcomes. We will undertake visits to and meetings with projects to better understand the activities, impacts and outcomes being delivered and to support analysis and dissemination.

30. The selected projects will be required to form a network in order to share information and learning between themselves and with the OfS. We will also commission an independent evaluation of the overall scheme, and will notify the funded projects of this work accordingly. We expect all funded projects to work with us and the evaluators in an open and transparent way throughout, to share expertise, learning and best practice for the benefit of students and the wider higher education sector, and to provide detailed analysis of successful and unsuccessful activities in order to understand lessons learnt.
31. Funded projects will need to be able to measure the graduate outcomes for those involved beyond the funded programme.

### **Next steps**

32. Interested and eligible higher education providers are invited to complete the bid template at Annex B and email it to xxxxxx by 17:00 on Monday 26 November 2018. The template is available to download on our website.