H

REGIONAL BOARD REPORT

Subject: Innovation Strategy	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Angela Cox	**Date: 27th April 2017**

Purpose: To inform the Board that the college intends to take a more proactive approach in supporting businesses by taking advantage of current innovation funding and resources currently available and creating a strategy that positions the college to take full advantage of future opportunities.

Executive Summary:

- HE institutions have for some time dominated the Innovation landscape with Scottish Government reporting that we have the fourth highest higher education expenditure on R&D as a percentage of GDP in the OECD (2013 figures). However it is expected that this is set to change with Scottish Gross Expenditure Research and Development output in 2015 reported as only 1.46% of our GDP, compared to 1.95% for the EU with no movement from 2014 figures.
- HE R&D investment continues to perform well but less so on Business Enterprise R&D when compared with the rest of the UK and internationally which was ranked in bottom quartile. This means that medium, small and micro businesses do not have the same opportunities as large employers. This applies particularly to the Borders Region when considering our economic make up.
- An independent review of the Innovation Centres Programme recommended that the SFC explores FE college participation in Innovation and that we should be challenged to enhance our involvement and support innovation in local businesses.
- At a recent Governance conference the Minister for FE, HE and Science stressed the need for colleges to work with businesses and to drive economic improvement via business led innovation.
- Considering the relationships that already exist between Borders College and our local employers we are well placed to take advantage of this changing landscape and establish ourselves as the provider that supports our local employers to innovate and grow their businesses.
- This paper outlines the rationale for developing a strategy and some shorter term actions that need to be progressed to ensure that the college is well positioned to take advantage of opportunities in the longer term.

Recommendation: Members are asked to note the paper and raise any queries or contribute to our thinking in creating a sustainable strategy.

Previous Committee Approvals:
No

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Signed:

Author **Principal**

Creating an Innovation Strategy

The Scottish and Borders economies are facing an uncertain future with the impact of Brexit and another independence referendum in the next few years. However, the creation of a South of Scotland Enterprise and the South East and Edinburgh City Deal provide significant opportunities to our regional economy. Skills and business improvement are at the heart of growing the Scottish Borders economy and the college needs to respond by working with local businesses to develop and adopt innovative practices which will ensure a sustainable future. We want to play a greater role in supporting our local businesses to boost levels of innovation in order to improve competitiveness, growth levels, new market penetration and resilience to change.

Regional productivity levels (at £36,906 GVA per worker) remain below the Scottish average (£43K). 39% of employers reported that their staff are under-utilised (above Scottish average of 32%). The business base continues to grow slower than Scotland from 2012 and only 10 businesses in the region currently employing 250+ staff with 90% employing less than 10 employees. Innovation is a fundamental driver of long-term competitiveness, productivity and sustainable growth.

HE institutions have for some time dominated the Innovation landscape with Scottish Government reporting that we have the fourth highest higher education expenditure on R&D as a percentage of GDP in the OECD (2013 figures). It committed £282 million in 2015-16 to research and innovation in Scotland's universities in order to support business to boost levels of innovation in order to improve competitiveness, growth levels, new market penetration and resilience to change. This, understandably, most often focusses on large multi-national organisations which have the easiest reach and greater return and where HE institutions often have established relationships.

However it is expected that this is set to change with Scottish Gross Expenditure Research and Development output in 2015 reported as only 1.46% of our GDP, compared to 1.95% for the EU with no movement from 2014. HE R&D investment continues to perform well but less so on Business Enterprise R&D when compared with the rest of the UK and internationally which was ranked in bottom quartile. This means that medium, small and micro businesses do not have the same opportunities as large employers. This applies particularly to the Borders Region when considering our economic make up.

An independent review of the Innovation Centres Programme, published in September 2016 recommended that the SFC explores FE college participation in Innovation Centres programmes and that we should be challenged to enhance our involvement and support innovation in local businesses. Considering the relationships that already exist between Borders College and our local employers we are well placed to take advantage of this changing landscape and establish ourselves as the provider that supports our local employers to innovate and grow their businesses.

In order to create a strategy which responds to local needs and takes advantage of current and future opportunities, the following actions will be taken forward by the CMT team.

- Build a relationship with Innovation Centres and promote the work that FE currently does with employers.
- Understand more about the £1 million Innovation Challenge Fund to support Innovation Centres develop particular collaborative projects for public services.

- Understand more about Scottish Enterprise's Scottish Open Innovation programme. This £2.9 million programme supports the development of an open innovation culture across Scotland by identifying projects and creating partnerships to drive them forward.
- Establish how we/our employers can access Innovation vouchers and support employers with the process.
- Establish a firmer partnership with Scottish Enterprise to understand and be an active participant of the new Workplace Innovation Service (launched late 2016). This will help companies implement progressive workplace practices which can lead to improved performance and increased levels of employee engagement.
- Continue to progress the already good relationship we have with Business Gateway to understand where gaps in supporting businesses already exist and take advantage of funding which is already available.
- Identify our current innovative work with employers and write up as case studies to share within the sector and use as a marketing tool when encouraging other employers to take advantage of the opportunities
- Identify our priority sectors and key employers to work with and through communication with stakeholders create an offer which reflects needs. This may involve new skills development for staff or recruitment of specialists i.e. Digital
- Create an internal culture of innovative thinking which can then be applied externally
- Continue to create a flexible and dynamic workforce which can adapt and respond to the opportunities which present themselves.

This strategy needs to inform a longer term review around the structure and function of our Business Development Unit. This includes how we identify and manage our stakeholders and how our marketing and PR activity is driven.

Useful documents referred to for further reading:

Programme for Government 15/16 - FOSTERING A CULTURE OF INNOVATION, RESEARCH AND DEVELOPMENT - Scottish Government http://www.gov.scot/Publications/2015/09/7685/0

Gross Expenditure on Research and Development (GERD) 2015 – Scottish Government http://www.gov.scot/Resource/0051/00516065.pdf

Independent Review of the Innovation Centres Programmes – Professor Reid Sept 2016 http://www.sfc.ac.uk/web/FILES/InnovationCentresReview/Independent_Review_of_Innovation_Centres_Programme_-_29_September_2016.pdf