

# Technology Strategy Board

Driving Innovation

## Governing Board Meeting

### Minutes of the 40<sup>th</sup> Meeting

The meeting was held on 23<sup>rd</sup> May 2013 at the Cisco Offices, London.

#### Attendance

##### **Board:**

Phil Smith  
David Grant  
Mike Carr  
Stewart Davies  
Iain Gray  
Andrew Milligan  
Hazel Moore  
Sara Murray  
Colin Paynter  
Ian Shott  
Chris Snowden  
Bob Sorrell

##### **Executive:**

David Bott  
Simon Edmonds  
Mark Glover  
Graham Hutchins  
Guy Rickett  
David Way

##### **BIS:**

Sir John O'Reilly  
John Dodds

##### **Apologies:**

Jonathan Kestenbaum  
Doug Richard

#### **Closed Session**

1. The Chair welcomed the Board to the 40<sup>th</sup> meeting. The Board noted that Sir John O'Reilly, BIS Director General, Knowledge and Innovation, would be attending the meeting in the morning and suggested that this was an opportunity to demonstrate to him that the Technology Strategy Board was addressing some of the big issues and to seek his support in the forthcoming Spending Review. He had already visited the office but wanted to get a sense of the Board and how it works,
2. The Chair commented that the other main item on the agenda, the communications paper was also important. Russell Grossman, BIS Director of Communications had hoped to come to the meeting for this session but had been called to a No 10 meeting on industrial strategy.
3. Iain Gray reminded the Board that Sir John O'Reilly had been a member of the original DTI Technology Strategy Board and former CEO EPSRC
4. The Board discussed its need to improve communications into government. It agreed that David Willetts had been very supportive but recognised his need to have a clearer message, especially about how the Technology Strategy Board programme fitted with "the 8 Great Technologies". However, it was commented that the leverage

factors currently used to show impact didn't work as well as other metrics. Need to talk bigger numbers. Christopher Snowden reported that the Prime Minister had said good things about the Technology Strategy Board in a CST meeting. It was also suggested that the Technology Strategy Board could look at how its work impacted target businesses revealed in the BIS typology work (60,000 *powerhouses*). This might help counter some of the criticisms coming from some areas in government.

5. Mark Glover reported that he was generating a range of key output data to set out on a single A4 sheet.

## Welcomes

6. The Chair welcomed Sir John O'Reilly, BIS Director General, Knowledge and Innovation. He recorded apologies from Jonathan Kestenbaum and Doug Richard and reminded the Board of the main items on the agenda.

## Minutes of the 39<sup>th</sup> meeting (paper: TSB2013-02-08)

7. The Board **approved** the minutes of the 39<sup>th</sup> meeting. The Board requested that all actions should be presented with a status and target date (**action**).

## Chief Executive's report (paper: TSB2013-03-02)

8. Iain Gray introduced the CEO's report:
9. He reported that the Delivery Plan had been well received and generated positive high-level national media coverage and good business feedback. He reminded the Board that this document was never intended to be the only method of communicating the Technology Strategy Board forthcoming programme and others we being developed for various audiences.
10. **Aerospace Technologies Institute:** He reminded the Board of the discussion at the previous meeting on the ATI and the agreed position to get close to the development of the ATI programme. He reported that Michael Fallon and Marcus Bryson from GKN were jointly chairing the Aerospace Growth Partnership at which the Technology Strategy Board did not have a seat although he and Simon Edmonds were both making input. There was some feeling in the Board that it should not get too closely involved if a third party runs the programme. Informal feedback from the previous day's AGP meeting had placed a Technology Strategy Board run programme as a lower preference to the other options. Simon Edmonds commented that this was a huge programme in which the Technology Strategy Board was already helping through a Collaborative R&D call to be launched this summer at Paris but until there was more clarity on how it will be delivered the Board should remain cautious but monitor and support. The risks of getting involved in such a large programme could be high so it may be necessary to take some hard decisions.
11. The Chair remarked that, although aerospace was a strategically important sector that had benefits outside the sector and it would not be good to see fragmentation of Government innovation support, the Board had to ask what value it could bring to this. BIS Ministers had recently indicated that they would like to widen use of Catapult brand in this area. In discussion the following points were made:
  - a. This was a really important area and the ATI had been well received. So it would be better to grasp than avoid. The big challenge was to absorb this and build the capacity, so work should start working out how to do it rather than wait.

- b. Now was a good time to show competence to deliver this. A first step might be to design the programme “flow sheet” using Catapult experience and reputation.
  - c. There remained a crucial need to protect the Technology Strategy Board brand in any role taken.
  - d. Assurance of good governance remained difficult because it was not yet clear what the objectives were.
  - e. When the aerospace lobby looks at this sort of programme, it is normally with an aim to capture a specific platform. So it was necessary to look closely at the specific market pull being addressed. This seemed to be all about the next generation single-aisle passenger aircraft, and the Technology Strategy Board should seek to understand how to drive that specific agenda.
  - f. The Technology Strategy Board should aim to lead this, immediately identifying how this is best addressed and not get sucked in at last minute when too many decisions had been made.
  - g. It was now necessary to establish more clearly what the timeline was and how to get connected in the right way and then to engage in the discussion. There was a gap in engagement at the AGP level and, although BIS had a place there, the Technology Strategy Board should seek to insert itself.
  - h. In earlier discussions the Board agreed that it should not chase after new government initiatives if they cannot be properly resourced or if they risk becoming a distraction from the main innovation and growth priorities.
  - i. The Board already has some recent successful track record in this area in the Aerodynamics Call in 2012 which had been very successful.
  - j. If there is a chance to contribute to this area, which is very important for growth, then the Board should get involved, even if it is only as the commissioners of a contracted out service.
  - k. There is a risk that such an institute could end up facing some of the organisational difficulties faced by the ETI.
12. John Dodds commented that the Technology Strategy Board, through its delivery of Catapults and innovation platforms, had demonstrated most but not all of the capabilities to run a large scale mission-driven programme such as this but equally the AGP appears to want to start with a blank sheet with no current capabilities. David Bott said that the delivery of Low Carbon Vehicles was a good example of a complex mission-driven programme and that the Automotive Propulsion Case was far better articulated in technology terms than the Aerospace Technology Institute strategy.
13. **Localism agenda:** Mark Glover reported that there was still a need to provide a better answer about how it will engage locally around national challenges. John Dodds reported that there was some political desire to see some leadership around the local growth agenda, especially given the EU approach to structural funds and innovation which required a more sophisticated joining up with the local level. The Board agreed to maintain its support for a national innovation budget, recognising that as LEPs became more competent it should keep this under review.
14. The Board noted that Andrew Witty was doing a review of University/LEP relations which was looking at growth priorities.

15. **European Enterprise Networks (EENs):** Iain Gray reported the interest in the Technology Strategy Board running the UK's EENs. In discussion it was commented that it would be a good first step to having stronger regional presence.
16. **Spending review:** Iain Gray explained the Spending Review process and the priority bids that had been made.
- a. John Dodds commented that the Technology Strategy Board was well placed in BIS thinking but reminded the Board that there would be a lot of challenge to the details over the coming month. He explained that the overall Spending Review remained difficult across government as a whole, with the national savings not reaching the target. Treasury would be testing all proposals very hard so nothing could be taken for granted. He felt that the approach set out in the paper was a good one and reminded the Board that the key milestone was the full spending review that would take place after the next election and that there were 4 fiscal events (two budgets and two autumn statements) before then which were also bid opportunities. The Board needed to be ready at each of those with well thought out projects.
  - b. Sir John O'Reilly confirmed that the Technology Strategy Board position was strong in BIS but reported the Treasury mood that it was running out of things to cut. He felt that it was worth the Board asking the executive to do some forward looking strategy and scenario planning work, in the context that the Technology Strategy Board was underfunded in comparison with equivalent international organisations. Better explanations were needed for the prioritised areas in the longer term growth context along with good descriptions of the expected economic returns. He recognised that the Technology Strategy Board became an executive NDPB with inherited programmes. However, the new context, with an emerging industrial strategy, demanded an explanation of how it would best contribute to that without diverting itself from its innovation and growth mission. He recognised that, although the industrial strategy was not yet clear, individual strategies were being published and those driving it must be encouraged to involve the Technology Strategy Board in the discussion rather than merely ask it to implement the answer. He had asked the research councils to reflect the industrial strategies in their plans and the Technology Strategy Board should do the same. This would require the Technology Strategy Board and BIS ID to work together to decide what good looks like. He reported that the Spending Review was the main issue at the moment and that he was in frequent discussion with Treasury. He took the view that it was a priority to strengthen the investment cases in terms of output measures. At the moment they were too conceptual and non-specific.
17. **Government relations:** Iain Gray reported that there were some poor perceptions of the Technology Strategy Board in parts of No 10 and other areas of Government. Some of this seemed to centre on a question of why the Technology Strategy Board was not more like Darpa or some other models of innovation support. David Willetts had suggested that the Technology Strategy Board needed to have some good answers about the Darpa question for Jeremy Heywood by the time he visited the office on 28<sup>th</sup> June. The Board noted that the senior Technology Strategy Board, BIS and Nesta staff would be visiting Darpa shortly to look seek a better understanding of how it adds value and understand the similarities and differences, particularly in scale, focus and longevity. David Grant reported that DSTL (a closer analogue for Darpa) and its CEO Jonathan Lyle saw an important link with the Technology Strategy Board and it was important to should show how well the two organisations were joined up. The Board noted that Rohan Silva was leaving No 10 and being replaced by Chris Lockwood, the former US editor of *The Economist*. The

Board agreed to support the executive in Jeremy Heywood's visit. **Action** – send around a request for Board members' support on 28<sup>th</sup> June.

18. **Catapults:** Iain Gray reported on a meeting on Catapults involving Vince Cable, David Willetts and Hermann Hauser. This had been very positive and Herman Hauser had observed that the agenda was delivering and scalable and could grow by one or two centres per year. The Technology Strategy Board Spending review submission had included personalised diagnostics and energy systems as the first likely areas but there was significant work to be done to develop catapult areas beyond those. The Board asked for a paper in the autumn of 2013 on the range of emerging areas that could be the basis of a future programme based around the Catapult criteria (**action**).
19. **The Energy Technology Institute (ETI):** Iain Gray reported that it looked likely that the "soft stop" option would be supported. He reminded the Board that this would require continuing close working relationship with the ETI and agreed to keep the Board informed of developments.

### **Communications** (paper TSB2013-03-07)

20. David Bott introduced then paper and commented that a main objective was to see others advocating the Board's economic value. He stressed that while there were some significant challenges, the Board did have quite a good track record with some good media, publications, events and a much improved web site. He recognised that the Board remained less well known than some of its sub brands and that there was a need to sort out the brand strategy. In discussion the following comments were made:
  - a. The high-level perception survey was small and the answers were somewhat predictable.
  - b. The starting point for a new strategy should be usual process for a communications strategy starting with identifying the top line statement and the desired brand? There are professionals who can advise on these things.
  - c. A debate was needed about branding priorities: What kind of brand was needed (e.g. Dyson or Kellogg's)? Should branding be emphasising the Technology Strategy Board or its programmes? A better brand was needed to gain recognition so that businesses know how to how to gain benefit from the Technology Strategy Board. We also need ministers across government talking about how we can be useful to them.
  - d. It is important to get a strategy together quickly and have a clear work programmes toward that.
  - e. Provision of easy-to-use messages for advocates was very important.
  - f. Speaking to influential dissenters to understand their criticisms.
  - g. It was necessary to decide who the audiences were. Government is one important stakeholder but SMEs don't care who the Technology Strategy Board is, only what it can do for them
21. John Dodds reported that Russell Grossman had welcomed the range of positive moves set out in the paper but had sought more rigour around how to gather insight. There was also some feeling that deadlines needed to be tighter and the communications programme needed more pace. He had volunteered BIS Communications support to the proposed focus group. Iain Gray agreed to follow that through (**action**).

22. John Dodds advised that ministers liked catapults because they understand them and could use material on them easily. It was always helpful to go to ministers with material that they can use later. He also took the view that there was need for a very positive central brand for the "TSB" or a new central brand.
23. Sir John O'Reilly reported that in his discussion with Treasury, including with John Kingman, there was no mention of any of the products, only of the Technology Strategy Board organisation as a whole. Given that Treasury Officials were a crucial audience, messages and branding needed to take account of their perspective.
24. The Board agreed that at the next meeting it would like to see proposal for a central brand, the priority stakeholders and the channels (**action**). The Board nominated Phil Smith, Doug Richard and Colin Paynter to the focus group and also agreed to seek input from Sara Murray (**action**).

### **Risk** (paper: TSB2013-03-03)

25. Graham Hutchins introduced the paper explaining that this was an update from the previous risk paper. He reported that review at audit committee had looked at each of the director's programmes risks in turn and that he had taken on an audit advisor to help with risk.
26. He reported that the main risks had been about finance, communications and NaREC.
27. The Board sought further clarification on the NaREC issue. He explained why it was felt that there remained significant business risk in the NaREC and the measures being taken including a Shareholder Executive-guided review of the business plan. Simon Edmonds explained that the Technology Strategy Board was on the point of appointing advisors to review Narec next business plan. This would be a fundamental review of the basis of the plan and its underlying assumptions. There were some future unknowns, not helped by strike price uncertainty and the Government's Energy Market Review (EMR) these were also an issue for the Offshore Renewable Energy Catapult. The Energy Market Review later in the year might provide some clarification. The Board asked for an update on the NaREC situation at the next Board meeting (**action**).
28. **Triennial review:** John Dodds reported that the first stage of the Triennial Review of the Technology Strategy Board had been signed off by David Willetts and Cabinet Office. The governance focussed second stage was expected to conclude soon. Iain Gray summarised the main areas under scrutiny and reported that the Technology Strategy Board had been asked to contribute to the triennial reviews of the research councils and the CST.

### **Finance** (Paper: TSB2013-03-03)

29. Graham Hutchins presented the paper. He reported that the auditors were currently going through the 2012-3 accounts and that no substantive issues had arisen.
30. The Board discussed the range actions aimed at improving accuracy of forecasting spend in projects. It noted the actions to work with the monitoring offices to improve this which should be in place in June. Graham Hutchins reported discussions with the NAO about how it might be possible to use a statistical approach to forecasting and but the NAO would be wary of this if it generated numbers significantly different to those generated by project forecasts. In discussion the following comments were made:

- a. This work will deliver some incremental improvements but there were some fundamental problems with the approach which means we'll never solve the problem. The system relies on grantees forecasting which is inherently inaccurate and biased as grantees have a vested interest in over-forecasting their spend.
  - b. A statistical model has worked elsewhere with similar challenges and landed a much closer forecast.
  - c. A lack of responsiveness and bureaucracy needed to be addressed as it would be a significant barrier to scaling the organisation. Ways to keep the themes but be more responsive should be sought, perhaps through grand challenges that enabled applications through the year.
31. The Board agreed that the whole grant awarding and financial planning process needed to be taken apart in a root and branch review which went beyond just the financial management. Iain Gray agreed to undertake a full process review to address this and to supply a date for this in the coming week (**action**).
32. John Dodds commented that the Biomedical Catalyst spend profiling issue was in danger of creating reputation issue due to perceived lack of early activity. David Bott explained that, in this programme, recipient companies used their grant awards in obtaining their match funding. This, quite reasonably, takes some time but the success these companies had so far demonstrated in obtaining investment was a major positive leading indicator for the programme as a whole so it should not be a major challenge to develop some defensive lines in case they are needed.

#### **Annual Governance Statement (Paper: TSB2013-03-05)**

33. Iain Gray introduced the paper and drew the Board's attention to the risk and internal control framework and the value for money statement. The Board **noted** the report.

#### **Audit Committee report (Paper: TSB2013-03-06)**

34. Andrew Milligan introduced the paper. He thanked the Audit Committee members for their support. The Board **noted** the report.
35. The Board noted that the accountancy skill set was missing from Audit Committee membership and asked Audit Committee to look at this issue (**action**).
36. The Board requested a list of other committees (**action**).
37. The Board noted that Ian Shott and Simon Edmonds were reviewing the overall governance of the Catapults and the role of the Oversight Committee

#### **AOB**

38. John Dodds reported that Vince Cable and Martin Donnelly had requested that in month running up to the Spending Review, organisations take particular care to manage the media risk of accusations of waste and extravagance.

#### **Closed session**

39. The Chairman explained that the purpose of this session was to consider the future organisational structure and the likely requirements in a senior team. Iain Gray gave an update on the current recruitment of a new Communications and Innovation Networks Director. He explained his plan to develop the senior team. Phil Smith, Ian Shott and Mike Carr agreed to work with Iain Gray to move this forward.

**Summary of decisions and actions:**

<b>No</b>	<b>Action</b>	<b>Responsibility</b>	<b>Target date</b>
1	Actions in future minutes should all have target dates for delivery [paragraph 7]	Guy Rickett	July 2013 Board
2	Seek Board members' support for the Jeremy Heywood visit on 28 <sup>th</sup> June [paragraph 17]	Guy Rickett	June 2013
3	Provide a Board paper in the autumn on the range of emerging ideas for new Catapults [paragraph 18]	Simon Edmonds	October 2013 Board
4	Include Phil Smith, Doug Richard and Colin Paynter in the Communications Strategy Focus Group and also seek input from Sara Murray and BIS [paragraphs 21 & 24]	David Bott	June 2013
5	Bring a proposal for a central brand, the priority stakeholders and the communications channels to then July 2013 meeting [paragraph 24]	David Bott	July 2013 Board
6	Provide an update on NaREC	Iain Gray	July 2013 Board
7	Undertake a full process review [paragraph 31]	Iain Gray	October 2013
8	Propose solution to accountancy skills shortage on Audit Committee [paragraph 35]	Andrew Milligan	
9	Circulate a list of advisory committees [paragraph 36]	Guy	July 2013 Board