Technology Strategy Board
Driving Innovation

Governing Board Meeting

Minutes of the 44th Meeting

The meeting was held on 22nd January 2014 at the Technology Strategy Board Swindon Office.

Attendance

Board:
Phil Smith
Mike Carr
Stewart Davies
David Grant
Iain Gray
Andrew Milligan
Doug Richard
Christopher Snowden
Bob Sorrell
Ian Shott

Apologies:
Hazel Moore
Sara Murray
Colin Paynter

BIS:
Amanda Brooks

Executive:
Simon Bennett
Mike Biddle
Simon Edmonds
Mark Glover
Graham Hutchins
Guy Rickett
Aileen Thompson
Nigel Townley

For ALIP:
Alison Mlot (Innovation Platform Leader)
Zahid Latif (Head of Healthcare)

Welcomes

1. The Chair welcomed the Board to its 44th meeting. He reminded the Board of the main items of business for this meeting: Finance and Risk, Assisted Living Innovation Platform and an opportunity to meet a number of teams, get a better understanding of the programme.

2. He welcomed Nigel Townley, Interim Director of IT to his first meeting.

3. He conveyed apologies for absence from Hazel Moore, Sara Murray and Colin Paynter.

Minutes of the 43rd meeting (paper: TSB2013-06-07)

4. The Board approved the minutes of the 43rd meeting.

Chief Executive's report (paper: TSB2014-01-02)

5.   Iain Gray introduced his report. He reminded the Board that only 4 working weeks had elapsed since the last meeting. The following issues were discussed:

6.   **2014/15 Budget**: He reported that uncertainty remained over the 2014/5 budget and that he had continued to emphasise to BIS that the proposed £15M cut was not manageable but showing more latitude in 15/16. He had met David Willetts, Vince Cable and Tim Luke and reiterated the same sentiment. He was concerned that there was a risk of default or other drastic action with promised programmes. He expressed his discomfort as accounting officer at some of the measures that may be necessary to square the programme with an eventual budget. He was mindful of the new projects that were in the process of being signed off. Amanda Brooks conceded that the uncertainty around the budget was becoming more problematic than the cut itself and reported that the Permanent Secretary had asked that the Board be informed that the department was doing all it could to help. In discussion the following suggestions were made:

   a.   Speaking to Treasury Ministers and to John Kingman may help (**action**).

   b.   It will be stronger to describe the impact, company by company, contract by contract, the geographical distribution, as any default actions was likely to generate letters to the Prime Minister.

   c.   A strong defensive position about previous years' under spends should be formulated, based on the corrective actions taken

7.   **Witty review**: Iain Gray reported that he had recently met Sir Andrew Witty and discussed his recent review. He reported that BIS were preparing a response, recognising that the Technology Strategy Board was not a central issue. The main relevant recommendation had been about links with LEPs, which had already been addressed. Amanda Brooks reported that a response could be expected soon. Arrow projects were being positioned as new for the next Spending Review. Mark Glover commented that the discussion with Dstl on a quantum technology managed programme looked like an Arrow type project. A novel approach was being considered with a goal to be more DARPA-like.

8.   **Science and Innovation Strategy Review**: Iain Gray expressed concern that innovation was the subject of too many government reviews and that this was placing a large burden on colleagues. The latest, announced in the Autumn Statement had come from Mark Walport and John Kingman. There was also a "Star Chamber" review of simplification of business support. Doug Richard reported that he had met Matt Hancock and Lord Young on this topic and felt that there was a big opportunity to lead and be the champion. He reported that Lord Young had agreed to meet the Chair and Mark Glover and agreed to arrange this (**action**).

9.   Amanda Brooks commented that BIS was using the Science and Innovation Strategy Review as a vehicle to bring reviews together, suppressing the impact of multiple demands for information. She was bringing someone new into her team to lead on this.

10.   **Dashboard**: The Board noted the latest performance dashboard and that these were reviewed each month with BIS.

11.   **KTN Ltd:** Simon Bennett reported that good progress had been made implementing the KTN Ltd and the Chair had been appointed and would be announced the following week. It was to be David Lockwood, of the Laird group and the Board were asked to keep that confidential until the formal announcement.

12.   Mike Carr commented that as none of the ICT KTN staff were moving to the KTN Ltd, this was seen as a problem in the community. Iain Gray reported that there was

also a minimal transfer of staff from the MBE KTN. Simon Bennett reported that the ICT community had raised some concerns but this was not typical in the KTNs. The ICT issues arose because much of its work was delivered by expensive consultants whose terms could not be transferred to KTN Ltd. Across the piece, over 100 of 128 staff had transferred. Use of the effective consultants in ICT would continue but a less expensive model was needed going forward. BRE will help in the transition of MBE KTN. There had been a misunderstanding in the process of appointing the CEO which had caused some consternation amongst current directors who were candidates but they were continuing to support the transfer process in good faith. The interviews were now set up and Simon Bennett was confident that the pool will produce a strong winner.

13. The Board agreed that there was a need to learn from these changes and where things didn't work.

14. **Catapults**: Simon Edmonds reported that there was an issue about making long term commitments to property that was awaiting approval from Francis Maude. Howard Orme was expected to take a decision if necessary. [Secretary's note – the Cabinet Office has approved the acquisition of the properties concerned]

15. Ian Shott reported that he had recently spoken to all the Catapult Chairs who expressed a wish to meet regularly with the Board starting with an annual review in the autumn with the CEOs. He reported that the Oversight Committee had agreed to be stood down and asked the Board to establish a new Catapults Committee. The Board agreed that he should bring forward a paper with proposed membership and terms of reference (**action**).

Finance and Risk

19. Graham Hutchins introduced the paper. He reminded the Board of the key in-year spend risks for 2013/14: the main risk had been the Future Cities Demonstrator. He had recently discussed spend with Glasgow who were now expecting to come in on target.

20. He reported that the key difference this year from past years had been that the programme had been over committed in order to compensate for known systemic causes of past under-spends and pushing to get the right level of commitment to get the spend on target.

21. Iain Gray reported that there was a potential issue over administration costs and Amanda Brooks confirmed that this was being handled in discussions with BIS. There remained an issue around IT spend and not getting sufficient administration recovery from BIS on BIS sponsored projects.

22. Graham Hutchins described the main operational risks in the register.

23. The Board confirmed that the new presentation approach was useful and informative.

24. Graham Hutchins reported that the Board had been the victim of a Fraud that had caused a good deal of concern in BIS. The relevant police authorities were handling this and had identified those concerned and were seeking to recover the lost funds. Audit Committee was in the loop. Closer adherence to process was being implemented to avoid a repetition. Mike Carr reported that this was having an effect practice elsewhere in the BIS family.

Delivery Plan Finance Paper: TSB2014-01-04

16. Mark Glover introduced the paper which set out the finance challenges in having no set budget for 2014/15 and also in fitting a programme to a reduced budget that may arise as a result of current BIS discussions.   The challenge is amplified by the need to ramp up activity in 2015/16 to deliver the programme announced in the Spending Review for that year.   There was also a capital/resource mismatch issue in 2014/15.

17. The Board discussed a number of possible approaches to handling the capital-resource issue and noted that the finance team had been exploiting a number of options. Mark Glover presented the priorities and principles set out in the paper and pointed out that in worst case (if the £15M cut is applied) it may be necessary to slow or stop some existing commitments. If things were not that bad, all the listed programmes would be started but trimmed across the board to fit the budget. If only existing commitments were protected there would be no Collaborative R&D competitions until June and no SMART until September.

18. The Board discussed that implications of not meeting current commitments and the following comments were made:

    a.   The Board had a duty to recognise that its necessary actions will be putting some companies in peril and to forewarn those companies that might be affected that their funding, or at least the timing of it, was at risk.

    b.   It was necessary to know the worst case, understand the timing and consider how the cuts might be applied to have the least impact.

    c.   The timing was such that it would be necessary to take action on holding back cash in the first quarter of 2014/15.

19. The Board unanimously **agreed** that it had a duty to notify those companies whose committed funding was at risk as a result of the budget uncertainties. To do this it would be necessary to assume the worst case (**action**).

20. The Board recognised that the communication of this risk may cause problems for ministers and unanimously **resolved** to write as a Board, by the end of January, to the Secretary of State, copied David Willetts, explaining the necessity in the following week to communicate with the affected businesses, and setting out the detail and extent of the impact with specific examples and numbers of companies. The letter should seek BIS support for a communications approach, recognising that the research councils had already written to universities over the possibility of grants claw-backs (**action**).

21. The Board requested a proposal on the mitigation strategy for whatever allocation is eventually provided (**action**).

Meet the teams

22. The Board met with staff and others in informal sessions over lunch to discuss:

    a.   Assisted Living Innovation Platform

    b.   Stratified Medicines Innovation Platform and Catapult plans

    c.   SME support

    d.   SBRI

    e.   Energy Systems programme and Catapult plans

23. The Board expressed its appreciation and thanks to the teams for their excellent and engaging reports and discussions.

Assisted Living Innovation Platform (ALIP) paper TSB2014-01-05

24. Zahid Latif introduced the topic. He set out the context for the discussion, reminded the Board about the reasons for having Innovation Platforms, premised around societal challenges, funding, building communities and supply chains.

25. Alison Mlot described demographic challenges that underpinned the Assisted Living Innovation Platform, the changing health and social care provision and the global growth of social care requirement, the growing market for technologies and services. She described the challenges for individuals and for the health and social care system and the barriers to delivering economic growth.

26. She described some of the programme's successes to date, focusing on enabling person centred integrated care across services. She argued that while technology was an important enabler, it was not main issue. That was more about integrating public and private markets and focussing more on user centred design. She set out the proposed next phase of the programme with a planning figure of £62M over 5 years, looking at influencing policy, reengaging with a reorganised public sector, consumer solutions, interoperability and standards and exploiting global markets.

27. Mike Biddle explained getting value from this market was an innovation issue, understanding what was needed in the statutory sector and how to connect it to business.

28. Simon Edmonds explained that this activity could not be delivered through a Catapult since Catapults were not grant funding bodies and this sector still needed grant funding to develop the products and services.

29. In discussion the following issues were raised:

    a. If the main challenge is now the adoption issue, as an investment play, isn't it now for someone else to take forward.

    b. This is very noble work but how much is still research where universities should play?

    c. It is hard to see where the explosion of wealth creation will come from or where entrepreneurship would play.

    d. Is this the best way to spend £62M? Is this more likely to be delivered by a demonstrator?

    e. The case for a full 5 year programme was thin. All the detail was in the first 2 years. There may be a case to agree a 2 year programme and seek a new proposal in 18 months for the next phase.

    f. It would be useful to see more about the unmet need and a bigger focus on those.

    g. It was difficult to justify an extension when the market is not ready.

30. Zahid Latif commented that there was an opportunity to attract significant co-funding, much of which was already secure. It was important to have a ling term investment plan to engage the disparate public sector markets.

31. Iain Gray Commented that he would have liked the proposal to show more ambition as the time was ripe for such a programme. The EU was soon to put £100s of millions into their Assisted Living programme. The Prime Minister had set dementia as one of his priorities and a Government hot spot. After 5 years, the public sector market had still not matured as hoped. He felt that an Innovation Platform was the right way to pursue this topic and felt that after 2 more years an evaluation of the changing public sector and the growth of the consumer would be clearer. An

Innovation Platform, with its steering group and cross government coordinating activity would be the right vehicle in which to build new programmes around a big challenge. The executive team strongly supported the case and felt that the level of funding was appropriate.

32. The Board agreed that the programme to date had delivered some very successful outputs and provided a powerful story about how to deliver better health and social care and reducing government costs. But it asked to see another paper, setting out the approach to the main activity areas proposed, in the context of the comments made above. It suggested that this paper be socialised with a few Board members before the next meeting (**action**).

Closed session

33. Iain Gray gave an update on the senior team recruitment activity including the challenges at BIS and SROC. He reported that the interim directors were playing a full part in the work of the Technology Strategy Board and that the dynamics were good.

34. The Board commented that the BIS requirement to offer non-commercial salaries conflicted with the demand for the Technology Strategy Board to raise its game, and that aiming for the best in public sector was a poor aspiration.

35. The Chair gave an update on the CEO search process.

36. The Chair suggested a discussion to identify some topics for a more detailed strategy discussion in the April meeting at MTC. The topics discussed were:

   a. The impact of Catapults on strategy going forwards?

   b. The process by which innovation delivers economic growth – Are the Board's programmes well suited to this?

   c. What were the political factors the Board needed to consider as an election approaches?

   d. Does the Board's support for projects and thematic programme conflict with the need for support for companies from idea to market and financing?.

   e. What are the sub-national issues? A brochure setting out the geography of Technology Strategy Board's assets and funds would be a helpful start point. Are Catapults and KTN Ltd becoming the Technology Strategy Board's regional footprint?

   f. Is the funding balance right between thematic and responsive programmes?

   g. What experimental programmes could the Board consider? Looking at other models such as DARPA?

   h. How can the narrative shift from describing the tools to describing the network of assets and programmes.

   i. How can the Board take a stronger position regarding the skills needs for the future markets it is playing into? The STEM skills, entrepreneurial skills. The Board should take a position on these issues.

   j. What are the Board's priorities for the international agenda?

   k. What role should the Board take in respect of the equity investment and grants? How can it shape the investment market to meet unmet needs? e.g. there is no UK VC market in manufacturing. How can an understanding be negotiated with the Business Bank.

d. What are the high level broad innovation and growth ecosystem issues for the coming period?

37. Amanda Brooks agreed to support the discussion with the provision of position papers and research input for the discussion (**action**).

38. Iain Gray and The Chair agreed to discuss the possibility of inviting senior external influencers to the discussion including the Cabinet Secretary (**action**)

Summary of decisions and actions:

No	Action	Responsibility	Target date
1	**Paragraph 6**: Speak to HM Treasury regarding impact of the Budget uncertainty.	Iain Gray	January 2014
2	**Paragraph 8**: Arrange meeting with Lord Young on the Star Chamber review of business support	Mark Glover Doug Richard	March 2014
3	**Paragraph 15**: Bring forward a paper on membership and terms of reference of a Catapults Committee	Guy Rickett Ian Shott	April 2014
4	**Paragraph 19**: prepare letters to notify all companies at risk of grant defaults in worst financial case scenario	Iain Gray	February 2014
5	**Paragraph 20**: write to the Secretary of State warning of the impending need to communicate grant risks to grant holders and seeking support.	Phil Smith	End January
6	**Paragraph 21**: Prepare a proposal on the mitigation strategy for whatever Budget allocation is eventually provided.	Iain Gray	March 2014
7	**Paragraph 31**: Prepare a paper setting out the approach to the next phase of ALIP	Mike Biddle	April 2014
8	**Paragraph 38**: Prepare position papers and research input for the strategy discussion	Guy Rickett Mark Glover Amanda Brooks	April 2014
9	**Paragraph 39** Consider external invitees to the April 2014 meeting	Iain Gray Phil Smith	February 2014