

# Innovate UK

## Technology Strategy Board

### Minutes of the 55<sup>th</sup> meeting

Held on 1<sup>st</sup> December 2015 at Innovate UK, Swindon

### Attendance

#### Board:

Phil Smith  
Tera Allas (by phone)  
Mike Carr  
Tim Edwards  
John Latham  
Ruth McKernan, Chief Executive  
Hazel Moore  
Ian Shott  
Bob Sorrell  
Harry Swan

#### Executive (not present for closed session):

Kevin Baughan, Director of Technology and Innovation  
Anne Dixon, Chief Operating Officer  
Simon Edmonds, Director of Catapults  
Patrick Jarvis, Head of Governance  
Lynne Patmore, Chief Financial Officer  
Guy Rickett, Board Secretary  
Nigel Townley, Director of  
Linda Wallace, Director of Communications

#### BIS:

Amanda Brooks (not present for closed session)

### Closed Session

#### Welcomes

1. The Chair welcomed the Board to its 55<sup>th</sup> meeting.
2. Ruth McKernan led the Board through a discussion a number of strategic matters.

#### Lunch

3. Over lunch, the Board met the Business Improvement and Change (BIC) programme team, the 2015 Graduates and the Innovate 2015 team.

#### Members of the executive joined the meeting.

4. The Chair welcomed Patrick Jarvis, who would be taking over as Board Secretary from the next meeting.
5. The Chair reminded members of the need to declare any personal or professional interests that they may have in the business of the meeting and to withdraw should any of those constitute conflicts.

6. He reminded the Board of the main items of business for the meeting, being the simplification work stream and the 2016 Delivery Plan.

**Minutes of the 55<sup>th</sup> meeting:** TSB2015-05-11

7. The Board approved the minutes of the 54<sup>th</sup> meeting.

**Chief Executive's Report** Paper: TSB2015-05-02

8. Ruth McKernan introduced her report. She noted that Innovate UK was making good progress to achieving its financial and operational objectives in 2015/16.
9. Linda Wallace presented a report on Innovate 2015. She reported a number of highlights: the event had exceeded the revenue target and the overall cost was reduced as a result; attendances were at a record high with a good sector and geographical and global spread, many people new to Innovate UK; a high level of reported attendee satisfaction, a big increase in media interest and coverage and social media activity. However she remained concerned that the event had not attracted the right level of investor attendance. The Board noted that the 2016 event would be held in Manchester and discussed the opportunity for potential improvements including
  - The Big Bang event grew when it moved to Manchester. The Board should consider how ambitious it should be for Innovate 2016.
  - Investors are sector specific and tend to go to sector events and use structured meeting software and booths when they get together. For future Innovate events a pre-half day investors' event might be better targeted.
  - New Scientist was planning a big event which may be offer an opportunity for a useful partnership for 2017.
10. The Chair of the Catapults Committee reported that the Catapult chairs had all recently met jointly with the Minister for Science and Business. Key points to come out of the meeting were that
  - The Catapults found Innovate UK's wider role in facilitating the network very valuable
  - The Catapults sometimes identified an unnecessary complexity in the BIS/Innovate UK relationship
11. The Board noted that Tim Edwards and Tera Allas had joined the Catapult Committee. The Board agreed to hold a substantive session on the Catapults at a future Board meeting.

12. **Finance:** The Chief Finance Officer presented a summary of the finance paper. She reported that the organisation was on target to deliver the budget. She identified a December risk that, post-CSR, there could be a rush on claims. She described the savings that contributed to the improvement of the forecast. She agreed to meet with Tim Edwards separately to discuss Innovate UK's accounting principles and financial reporting processes.
13. The Board discussed the move to alternative finance products and how this could be expedited including the possible use of existing funding products (e.g. Business Bank) in order to move quickly on piloting new innovation support products. Amanda Brooks commented that this might work. The Chief Finance Officer noted that this could only be done through referral to current Business Bank products and suggested that an Innovate UK Enterprise Capital Trust may be a quicker route to access "Financial Transaction" monies. She reported that this would be followed up through the working group set up by BIS.
14. The Chief Executive suggested that there was no longer a need for her to report all her meetings and engagements to the Board and proposed that only those engagements of particular significance would be reported in future. The Board supported this change.

#### **Audit and Risk Assurance Committee update**

15. The Chair of the Audit and Risk and Assurance Committee reported on the main points discussed at the December meeting of the Committee. The Committee had been pleased to see the significant work done to align the budget and forecast. The Committee were concerned at the risk presented by sub optimal financial systems including the general ledger and had asked that this matter be addressed as a matter of urgency. He noted that there remained a need to think about the principles governing what was needed in a finance system before building a new system or improving the existing one and making the case for any funding needed. The Chief Financial Officer assured the Board that the discovery phase work had already started on mapping out the requirements. The Chief Operating Officer stressed that it remained a challenge to develop new systems in the context of the development of other systems across Whitehall & BIS more generally under the BIS 2020 Programme. Amanda Brooks acknowledged that BIS needed to help Innovate UK to address this challenge, given its immediate and material risk.
16. The Chair of the Committee also reported that work was underway to update Innovate UK's corporate risk register given the changes outlined in the Comprehensive Spending Review. He also reported that the Committee had been considering ways of introducing a new provider of internal audit.

**Simplification and Regionalisation Strategy Paper: TSB2015-06-03**

17. The Director of Catapults presented the paper. He explained that there was now a proposal on branding of Innovate UK Connect. He saw the next step as looking at how to operationalise this locally and regionally.
18. The Director of Communications presented the plans for the Brand transition for EEN and KTN.
19. The Chief Executive led a discussion on the need for Innovate UK and the KTN to work more closely together, reduce overlap and reduce costs. A number of options were discussed. The Board agreed that its current preferred option was to retain the KTN as a separate entity with a much closer relationship with Innovate UK operating together under the Innovate UK Connect brand.
20. The Board noted that a vision for 10-12 regional offices had been agreed and the plan was to find existing local assets to host them.

**Delivery plan Papers: TSB2015-06-04, TSB2015-06-05, TSB2015-06-06**

21. The Chief Operating Officer reminded the Board of the need to produce a new Delivery Plan in time for the start of the next financial year and for the need for this to be set in the context of the next Strategic Plan. She reported on the processes in train to produce both of these documents.
22. The Director of Technology and Innovation reminded the Board of the work to deliver a sector focus, including the catapults and the KTN. He commented that in a cross-disciplinary organisation there was no perfect model. He described the four groupings that had emerged from the exercise (recognising that the names may change): Life sciences, Materials and Manufacturing, Emerging technology and Cross cutting, Infrastructure. His proposal was to transfer the existing programmes and catapults into these headings. He described the processes being developed to identify priority areas.
23. He described the main managed services: APC, ATI and ESA technology were well supported areas and Innovate UK financial support would decline in these areas, although networking support would continue. The expectation was that all managed services would now be charged for. Amanda Brooks commented that she expected demand for such services to increase. The Chief Executive commented that such managed programmes were important and undertook to write to all relevant departments asking about plans and making an offer of support. The Chief Finance Officer reported that a tiered approach to service provision would be worked up over the next two months with the intention being to have service agreements in place by 31 March 2015.
24. The Board discussed the new structure and the priorities. Ian Shott raised some concerns about the detail of the structure and agreed to send comments on this to the Chief Executive. The Board supported the broad direction of travel.
25. The Chair requested that the new structure and priorities be tested more widely with the business customer base.

26. The Chief Financial Officer described progress with the development of new innovation finance products (NIFPs). She described the work to look at international comparators and the Business Bank product set. That picture was complex and it was a challenge to identify how the UK system could get benefit from products used in other countries where the systems are different. She also described work to define the boundary between state aid and financial transactions. She took the view that neither Innovate UK nor BIS currently had the resource or mechanisms to deliver non grant products and that, while the Business Bank could not deliver this, its delivery partners should be able to help here. She also commented that the process to set up the Student Grants to Loans scheme, and the approach taken to have the book as a whole treated as financial transaction monies would be insightful and she had asked BIS to take a look at this as part of the work stream
27. She reported that three future competition types had been identified through which Innovate UK could use small amounts of grant funds to incentivise third parties to provide further funding in pilots of new ways forward pending the arrival of NFIPs which were currently expected in mid to late 2017. The Board noted that it would be very challenging indeed to achieve the indicative target NIFP spend figures in 2016/7 (£28m, based on the original £140m profile provided by BIS some time earlier.) It was also noted that the £165m NIFP figure to be achieved by the end of the Spending Review period could potentially be seen as a reduction in resources available until a clear picture emerges of how this will work. The Board supported the Chief Executive in plans to restructure the organisation to reflect changes arising from the Spending Review.
28. The Board noted the progress with NIFPs and requested that a public statement be prepared about the direction of travel in this area.

**Summary of decisions and actions:**

No	Para	Action	Responsibility	Target date
1	11	Organise a substantive Catapult strategy session for a future Board meeting	Patrick Jarvis	Summer 2016
2	12	Discuss accounting and financial reporting issues with Tim Edwards	Lynne Patmore	January 2016
3	19	The Board agreed that the KTN be kept separate for the time being, and that it is encouraged to provide to a regional presence, test the market to raise its own funds and reduce its budget in proportion to the internal efficiencies being made in Innovate UK. Further integration could then be considered later if appropriate.	Simon Edmonds	
4	23	Write to relevant departments asking about plans and offer support for managed programmes.	Ruth McKernan	January 2016
5		Sub set of Board to create three levels of ambition for Innovate UK as agreed in closed session	Ian Shott, John Latham,	February 2016
6	25	The new structure and priorities to be tested more widely with the business customer base	Kevin Baughan	March 2016
8	27	Bring forward proposals for restructuring the organisation in response to the Spending Review	Ruth McKernan	March 2016
10	28	Issue a public statement on the direction of travel for NIFPs	Lynne Patmore Linda Wallace	March 2016