

Innovate UK

Minutes of the Governing Board's Meeting held on 22nd January 2016 at BIS Conference Centre, Victoria St, London.

Present:

Members of the Governing Board	Executive
Mr Phil Smith, Chairman of the Board	Mr Kevin Baughan, Director of Innovation and Technology
Mr Harry Swan	Mr Simon Edmonds, Director of Catapults
Ms Hazel Moore	Ms Anne Dixon, Chief Operating Officer
Dr John Latham	Ms Lynne Patmore, Interim Chief Financial Officer
Mr Mike Carr	Ms Linda Wallace, Director of Communications
Dr Robert Sorrell	Mr Patrick Jarvis, Head of Governance and Secretary to Governing Board
Mr Ian Shott	
Mr Tim Edwards	
Dr Ruth McKernan, Chief Executive	
Observer	
Ms Amanda Brooks (BIS)	

Apologies – Mr Nigel Townley, Director of IT

Announcements

- 1 Mr Smith welcomed members to the meeting and asked for any declarations of interests from members. No declarations were made. Mr Smith noted that apologies had been received from Mr Townley.

Minutes of Previous Meeting

- 2 Mr Smith asked for any further comments on the draft minutes of the previous Governing Board meeting held on 1 December 2015. No comments were received and the draft minutes were therefore approved without further amendment.

Chief Executive's Report

- 3 Dr McKernan introduced her update report to the Governing Board focusing on current restructuring plans. She stressed that the plans had now been shared with staff. Directors were continuing to work on the detailed mapping of staff to the new structures. She thanked Board Members for their support in the restructuring work and in particular for their comments on the proposed Directors' job descriptions. She invited Members to assist in the interview process too.
- 4 Dr McKernan also explained the work currently underway to develop the five year strategy document and the annual delivery plan. She anticipated that the draft documents would be ready in February 2016 with the official launch in March 2016. She would seek members' views on the drafts before the launch and there would be a further opportunity for discussion of the documents at the March Governing Board meeting.
- 5 The Governing Board expressed its continuing support for the restructuring and business planning work currently underway.
- 6 Ms Dixon presented the section of the report detailing Innovate UK's developing relationship with the Research Councils. This included
 - Discussions about the scope for merging back office functions
 - The joint exploitation of benefits offered by new grant and finance systems
 - Basing some Innovate UK staff in the Research Council's offices
- 7 Ms Brooks stressed that the Research Councils themselves were required by BIS to make substantial savings and the systems development work being undertaken by Innovate UK should have a significant role in the achievement of the savings. Dr McKernan suggested that some of the savings should therefore be allocated to Innovate UK.
- 8 Ms Dixon also explained that the Business Improvement and Change team were making good progress.
- 9 Ms Patmore presented the financial section of the report. At the end of December 2015 Innovate UK was underspent against its annual core budget by a total of £7.1 million. £4.1 million of this was accounted for by an admin underspend. A number of actions had been identified to bring expenditure back into line with budget including an increase for Longitude Prize funding in 2015/16. The opportunity for a number of "swap" deals with co funders was also being explored. Mr Edmonds explained that a potentially significant further underspend might be caused by a reduced level of funding required by the ETI. He was currently discussing ways of mitigating this risk with the ETI.
- 10 The Governing Board noted the financial report and agreed that there was now a much improved level of control over the budget with risks and mitigating actions identified.
- 11 Mr Edwards informed the Governing Board that he and other members of the Audit and Risk Assurance Committee had recently met with Ms Patmore and other finance staff to discuss current challenges faced by the finance team. He stressed that current financial systems and processes were clearly no longer fit for purpose and depended heavily on a range of

spreadsheets. There was no end to end financial system and he doubted whether the current arrangements would meet the Companies Act standards applied to private businesses.

- 12 Ms Patmore explained the work underway to identify the current needs of the finance team and to procure or develop a new finance system. She felt this was vital to the future strategic financial management of Innovate UK. The work was being undertaken through the finance transformation work stream of the Business and Improvement Change Programme.
- 13 The Governing Board noted the significant weaknesses in the current arrangements and expressed its full support for the procurement or development of a new finance system. Dr Sorrell commented that the finance team were doing an excellent job in difficult circumstances. Ms Brooks noted that Innovate UK had offered to act as a pilot for finance system developments more widely across the Research Councils and the BIS family and felt that this would be a valuable way forward.
- 14 There was a brief discussion about the key risks facing Innovate UK as presented in the finance report. It was agreed that these would be discussed in more detail at the March meeting of the Audit and Risk Assurance Committee.
- 15 Ms Patmore explained current work within Innovate UK and BIS to develop new financial innovation products. Ms Brooks confirmed that BIS would be running a pilot scheme later in 2016/17.
- 16 Ms Moore asked for an explanation of the circumstances in which an additional £50 million had been provided by BIS for the establishment of a new Catapult Centre. Dr McKernan acknowledged that whilst the nature of the announcement had not been fully discussed with Innovate UK the development itself was good news and was in line with Innovate UK's existing plans. Ms Brooks confirmed that the £50 million was "new" money.

Nurse Review

- 17 Mr Edmonds presented a report setting out Innovate UK's response to the Nurse Review. It was noted that due to timescales the response had already been submitted to BIS. Mr Smith emphasised that members of the Governing Board had had previous opportunities to discuss the response and it was agreed therefore that there was no need for a fuller discussion at this meeting.
- 18 The Governing Board agreed that Innovate UK had made an appropriate response to the Nurse Review.

Regionalisation

- 19 Mr Edmonds made a presentation setting out proposals for the regionalisation of Innovate UK. He explained that over the next six to nine months some Innovate UK staff would be seconded to regional bases to work more closely with businesses, the Knowledge Transfer Network and LEPS. The initiative would be cost neutral.
- 20 A general discussion followed on the relationship between the Knowledge Transfer Network and the European Enterprise Network and related issues. Matters raised included:

- The challenges presented to the Knowledge Transfer Network by the reductions in grant from Innovate UK
- Potential opportunities for the Knowledge Transfer Network to raise more income of its own
- The need for the two organisations to work effectively together
- The complexities of the relationship particularly in an area where a LEP was active. The most effective solution might vary from area to area
- The need for prompt and effective use of the Innovate Connect brand “on the ground.”

International

- 21 Mr Edmonds presented four papers explaining Innovate UK’s international activities including the Newton Fund. He explained that the most important current issue was to explore ways in which Innovate UK could access funding provided through the new Global Challenge Research Fund recently established by the UK Government. This Fund was part of the wider ODA programme managed by DFID. He proposed that Innovate UK should establish its own Global Challenge Innovation Fund financed from the above source.
- 22 Dr McKernan confirmed her support for this proposal recognising that this was an area of great opportunity. She expressed her disappointment that none of this new funding had been directly allocated to Innovate UK. She was already arranging to meet senior officials from DFID to discuss ways in which Innovate UK could contribute to the programme and access funding.
- 23 The Governing Board expressed its support for the creation of a Global Challenge Innovation Fund.

Catapults

- 24 Mr Shott presented a verbal report from the recent meeting of the Catapults Committee. Key matters discussed at the Committee included
- The need for improved portfolio management
 - Continuing problems with financial forecasting at some Catapult Centres
 - The importance of devising an appropriate range of key performance indicators to measure the performance of the Catapults.
- 25 Mr Edwards confirmed as a new member of the Committee that there was a need for improved portfolio management of the Catapults and noted that there was a risk of applying too standard an approach to the development and management of the Catapults. Ms Dixon agreed that the new sector approach within Innovate UK might require Catapults to be managed and monitored differently in future.
- 26 Mr Edmonds explained work currently underway to set up the new Compound Semiconductor Application Catapult Centre in South Wales. He confirmed that the Energy Systems Catapult had now prepared a delivery plan and this would be presented at the March meeting of the Governing Board. The Precision Medicine Catapult was still preparing its delivery plan and it would be presented to the Governing Board later in 2016.

- 27 Dr McKernan confirmed that each of the new sector leads would work closely with the Catapults in their sector to develop strategy, share goals and achieve closer working relationships.

Any Other Business

- 28 Mr Smith noted that the next meeting of the Governing Board would be held on 30th and 31st March 2016 in London.
- 29 Ms Patmore asked Ms Brooks whether Innovate UK's 2016/17 budget allocation letter would be available for the next meeting. Ms Brooks was unable to confirm this.