Innovate UK

Technology Strategy Board

Minutes of the 54th meeting

Held on 7-8th October 2015 at Future Cities Catapult, London

Attendance

Board:	**Executive** (not present for closed session)**:**
Phil Smith	Kevin Baughan
Mike Carr	Anne Dixon
Stewart Davies	Simon Edmonds
Tim Edwards (Thursday)	Lynne Patmore
John Latham (Thursday)	Guy Rickett
Ruth McKernan	Linda Wallace
Hazel Moore	
Ian Shott	Liz Flint (Wednesday)
Bob Sorrell	Paul Mason (Wednesday)
Harry Swan	Richard Miller (Wednesday)
	Tim Just (Thursday)
BIS:	Ian Meikle (Thursday)
Amanda Brooks	Rob Saunders (Thursday)

Closed Session

Welcomes

1. Ruth McKernan led the Board through a discussion a number of strategic matters. The following **actions** were agreed:

    a. A mock-up of a regional centre to be developed for presentation at Innovate 2015.

    b. Provide a more detailed breakdown of investment across sectors for future Board discussion.

    c. Implement a restructuring by sector

Members of the executive joined the meeting.

2. The Chair welcomed the Board to its 54th meeting. He passed on apologies from Tim Edwards and John Latham would not attend on the first day and from Kevin Baughan who planned to arrive at 4 p.m.

3. He reminded the Board that BIS had now confirmed Hazel Moore's membership extension and the appointment of John Latham and Tim Edwards. He informed the Board that BIS had extended his own tenure for 6 months in the first instance.

4. The Chair welcomed Lynne Patmore to her first meeting as Interim CFO 8 days. He also welcomed Liz Flint, Head of Innovation Networks and Richard Miller, Deputy Director Innovation in Industry.

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.

Minutes of the 53rd meeting: TSB2015-04-07

7. The Board approved the minutes of the 53rd meeting.

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

8. Ruth McKernan introduced her report. She reminded the board of the issues in the report that had been covered in the closed session and invited comments.

    a. Bob Sorrell commented that the new arrangements for OpEx constituted a very high risk that could have serious consequences. The Board noted that this was now on the corporate risk register.

9. Ruth McKernan reported that the finance situation was now much stronger with a number of actions identified to meet the budget target. She invited Lynne Patmore to give her first impressions. Lynne Patmore reported that she had identified a number of process issues that were causing the team to be working in a less than optimal way and that she would be making some early changes before overlaying a more automated system. She aimed to move faster than the July implementation target. She also hoped to look more closely at how failing projects might be stopped earlier.

10. The Board welcomed the design of the new dashboard and commented that the papers for the meeting in general were much better, focussing on the high level issues

11. Anne Dixon reported that she would shorty be seeking GDS approval to implement the Beta Phase of the Innovation Funding Services and that she was aiming to implement for the first competition in March 2016

12. The Board noted the results of the Board performance review and agreed that it provided some useful perspectives. Ruth McKernan reported that she would be making some changes to address the issues raised.

13. The Board discussed the need to think further about the future of the Catapult funding model. It recognised that there would always be a need to maintain core funding for high-risk activities but agreed that the strict formula was too constrained for the flexibility needed for the different centres and changing economic circumstances.

14. Linda Wallace reported that UKTI was now fully expecting to reach all of its Innovate 2015 revenue targets and that ticket sales were also on track to sell out. Ruth McKernan reproved that she was due to meet Catherine Raines shortly to discuss the event.

Appointment of new Committee members, Paper: TSB2015-05-05

15. The Board **approved** the nominations

16. The Chair asked Harry Swan to join the Remuneration Committee. **He agreed**.

Simplification project Paper: TSB2015-05-03

17. Linda Wallace talked the Board through the main points in the paper and reiterated the challenge of reducing the complexity of the support landscape from the customer perspective and the pressure to do this from several directions. The core of the approach was to simplify the Innovate UK offer to 2 areas: fund and connect. She described the proposed simplified landscape.

18. The Board:

    a. Recognised a need to do more to expose and market its position, geographic footprint and technology expertise. It also recognised a need to bank more credit for the thought leadership work that was significant but not well recognised.

    b. Discussed the need for a distributed presence, which was probably politically necessary, but agreed that a stronger case was needed to show how it would add economic value. It discussed how much of the distributed presence could take advantage of existing infrastructure such as LEP and Catapults locations.

    c. Recognised a need to ensure that the local human interface to business would add real value. It would need to be able to connect to services that went much wider than the Innovate UK offering, providing access the whole country's expertise from any individual locality through very high calibre people if it is to be successful.

    d. Agreed that long-term consistency would have to be built into any solution as businesses found it difficult to engage with constantly changing service interfaces.

19. Richard Miller described the simplification agenda for Innovate:Fund and the plan to strip out intervention branding. He reiterated that all access to funding would remain under competition. He reminded the Board that while this project focused on the Innovate UK agenda, there remained a need for other support providers to simplify and align. He reported that moving competitions to the new approach would commence from April 2014 but full implementation would track the development of the full capability in Tigress.

20. Liz Flint described the simplification agenda for Innovate:Connect as it applied to the EEN and KTN offers. She highlighted the following:

a. There was a major resource available through KTN and EEN teams and that the plan was to establish a new overlapping function that takes business through to the right support at the right time. EEN and KTN had already started on this path. There are people in place in all regions who know the full set of offerings. New investments were unnecessary and it should be cost neutral to deliver. But existing KTN offices had no previous regional engagement remit so there remained work to do.

b. While KTN was well known and respected, the reorganisation was not yet complete and there was still no connection to the Innovate UK brand. She was looking to get early agreement with KTN to move to the new Innovate:Connect branding.

21. In discussion the following points were made.

a. The true value of the Innovate:connect offering would come more through expertise in customer relations than on technical expertise.

b. The pilot scale approach was essential to be sure an effective model was implemented.

c. It was time to be more aggressive about unification of branding with KTN and EEN, recognising the constraints from the EU over EEN, making interaction seamless for the user to use both.

d. There was significant value in moving very quickly with this transition. The KTN leadership was supportive, so accelerating the process should be possible, perhaps getting a minister to announce a pilot at Innovate 2015.

e. It should be possible to measure the impact of the funding simplification on the applicants? Some objectives should be set for how many applicant effort hours are saved.

f. The funding simplification should also allow better decision making and more flexibility on setting priorities for competitions

22. The Board noted that some £2m a year savings in processing costs were projected in the current plan, and further improvements were possible after that.

23. The Board **approved** the simplification project and the move to Innovate Connect. [Secretary's note: this move was subsequently agreed by the Universities and Science Minister]

24. Ruth McKernan agreed to look into developing an implementation plan in time to be announced by a minister at Innovate 2015. **Action.**

25. She also agreed to bring forward a proposal for pilots, costing for implementation, and a plan for accelerating the financial element of Tigress in December. **Action**

Accelerating Growth: Paper: TSB2015-05-04

26. Richard Miller presented the paper. He highlighted the following:

a. In building stronger supply chains, Innovate UK was already experienced in analysing where gaps exist and where interventions can make a difference.

Two strong example of where this had worked well were in changing the automotive supply chain and in the AIMC4 house construction programme.

b. In the scale-up process, the previous programmes had only focussed on the "find-prove" end and Innovate UK was yet to tackle the "grow-scale" end. Helping companies to become investment-ready and putting them in front of the right people was still a fringe activity. There was a need to start thinking about the company and team rather than the project and asking: where are they on the journey? Are they at the right stage to be accelerated? Do they have the right team to deliver the growth? Innovate UK's connecting function could be deployed to help these companies to evaluate and accelerate and some of this had been done in a modest way in the entrepreneur missions.

27. The following issues were discussed:

a. It was hard to see how long term returns to the economy on such a programme could be measured. It was difficult to see how an Innovate UK intervention could have a measurable impact in such a broad and complex space.

b. The ambition to scale up small companies was a good one but such a programme was not about technology which was the organisations main strength so new resources, people and skills would be needed. An equity programme could not realistically expect any return on investment in the short to medium term. Non-grant products, in particular long large loans, might be able to have an impact.

c. It is very time consuming and expensive to make companies investor ready but there was definitely a role for Innovate UK in connecting promising companies with customers (especially public sector), advisors and others in the UK and elsewhere.

28. The Board agreed that scaling up companies was a big issue that needed tackling but recognised that it could only approach a small part of this challenge.

Building on Innovation Excellence: Paper: TSB2015-05-04

29. Richard Miller presented the paper and emphasised that, in the past, Innovate UK had focussed on the best quality proposals regardless of geography. He argued that such an approach missed the economic importance and opportunity of clusters, he pointed out that devolution and city deals agenda from government was likely to present an opportunity.

30. He explained some approaches to identifying geographic peaks in innovation quality and a proposed a strategic fit study to be followed by competitions on the strategic feasibility. There would be an element of piloting to see if this approach worked.

31. He presented some examples of where local big customers, local SME expertise and academic interests come together creating opportunities.

32. The Board discussed how to square the tension between cluster investment and national excellence.

33. The Board agreed to look again at this proposal in the New Year after participating in the SIAs and requested a crisp prototype minimum steps pilot model. **Action**

Developing the Catapults: Paper: TSB2015-05-09

34. The Chair welcomed Paul Mason to the meeting. Paul Mason presented the paper. He set out the long-list of Catapult candidate areas and explained assessment plot of the pipeline candidates and how the top 4 ideas had been identified. He also explained the location criteria.

35. Ruth McKernan reminded the Board of the need to avoid announcement of future Catapults without an adequate allocated budget.

36. Amanda Brooks suggested that it would be useful if ministers put the shortlist into the public domain. The Chair agreed that such a move would strengthen Innovate UK's position and demonstrate its thought leadership.

37. The Board agreed that it put the organisation in a strong position to have some real and public evidence that the emerging top areas would offer the UK something that is world class.

38. The Board congratulated the team on the quality of this work and recommended publication of the long list, the shortlist and process and rationale. **Action**

Turning Scientific Excellence into Economic Impact: Paper: TSB2015-05-08

39. Paul Mason presented the paper and reminded the Board of the quality of the UK research base. The paper was concerned with how to engage the UK's science with the end users that can adopt it and how to anchor research value in the UK. He suggested that there was a need to recognise the UK's underinvestment in this area compared with competitor nations and so the need to become more efficient at the translation end. He reminded the Board of the anticipated changes to the research council infrastructure coming out of the Nurse review and the need to be ready.

40. The Board requested a proposal for a specific programme to support partnerships with the research councils to accelerate growth in start-ups and existing companies, costed relative to other innovate UK programmes, as soon as was possible after the outcome of the Nurse review was known. **Action RM**

Portfolio Options for CSR scenarios: Paper: TSB2015-05-06

41. Kevin Baughan joined the meeting and presented the paper. He reminded the Board that the Spending Review was likely to result in a hybrid grant and alternative finance model portfolio. He described the scenarios set out in the paper.

42. He reported that his team had now refreshed the entire strategy for every priority area against the four Innovate UK criteria.

43. The Board welcomed the new approach and felt that it was probably right to focus on the 25% cut scenario but recognised that the toolkit should be deployed in any CSR outcome.

44. The Board discussed the constituency funding map and agreed that it should be made public and marketed as soon as possible, perhaps with functionality that allowed listed companies to add their own content site. **Action**

Dinner

45. The Board had dinner with some senior representatives of the Future Cities Catapult and some of their client companies

Thursday

46. The Chair welcomed new Board members Tim Edwards and John Latham to their first meeting. He reiterated the need to declare any personal interests.

Three in-depth programme studies

Space

47. Tim Just presented the Space strategy explaining that a vibrant sector in the UK was on track to secure 10% of the global market, which is growing. This would constitute some 100k jobs and £40b annual turnover. The UK had significant research base expertise, space science. He suggested that the big interest and opportunity was in the downstream (applications) end but that these needed to be linked to the development of the up-stream (in-orbit) facilities and testing. He reminded the Board of the importance of the Satellite Application Catapult in this area. He described the main elements of the forward strategy and the use of missions to help small businesses in the sector make crucial global connections.

48. He reminded the Board that while the use of Innovate UK resources was very modest, the organisation had a big influence in the deployment and exploitation of some £100M/y ESA programme spend on space technology in the UK.

Energy

Tera Allas declared an interest with a potential conflict in her Board membership of the Green Investment Bank.

49. Rob Saunders presented the energy strategy. He described a complex and diverse, highly regulated but poorly connected sector that delivered electricity power and the "energy trilemma" the sometimes conflicting need for energy supply to be affordable, sustainable and secure. He explained that areas most promising for Innovate UK investment were in the "energy systems" that integrated the diverse sources into a single reliable supply and the role of the nascent Catapult in Energy Systems.

50. In discussion the Board considered:

    a. The role of regulators in pushing innovation

    b. The speed at which it was necessary to deliver cost reductions

    c. The export opportunity offered by leading the integration of systems.

    d. Whether private investment could be attracted and the importance of patient state investment in long slow strategic programmes.

     e.   The scale of Innovate UK spend (some £53M in grants and ETI plus catapults) and how to measure the return on that investment.

Agri-tech:

51.   Ian Meikle set out the Agritech strategy and identified addressable market as natural/healthy food and drink and improving agricultural productivity. He described the big players in the industry and the reasons they continue to invest in the UK. The big strength was the academic and institutional centres and the Innovate UK centres that were playing an increasing role. The key areas he described included authenticity and traceability and large scale demonstrators

52.   In discussion the Board agreed that this was a strong areas with early but growing support in funding at VC level but it was still seen as early stage. It was seen as the last potentially big sector to be impacted by technology.

53.   The Board thanked the presenters for their contributions.

Tour of Future Cities Catapult

54.   The Board was taken on a tour of the Catapult's facilities and projects.

Further strategic discussion in closed session

55.   The Board continued it discussion on strategy.

Summary of decisions and actions:

No	Para	Action	Responsibility	Target date
1	1a	A mock-up of a regional centre to be developed for presentation at Innovate 2015.	Linda Wallace	November 2015
2	1b	Provide a more detailed breakdown of investment across sectors for future Board discussion.	Kevin Baughan	December 2015
3	1c	Implement a restructuring by sector	Ruth McKernan	?
4	15	The Board Approved the nominations to the Remuneration and Audit Committees		
5	16	The Board Approved the appointment of Harry Swan to the Remuneration Committee		
6	23	The Board **approved** the simplification project and the move to Innovate:Connect		
7	24	Develop a simplification implementation plan in time to be announced by a minister at Innovate 2015	Ruth McKernan	November 2015
8	25	Bring forward a proposal for pilots, costing for implementation, and a plan for accelerating the financial element of TiGreSS.	Ruth McKernan	December 2015
9	33	Bring forward a proposal and a crisp prototype minimum-steps pilot model for location-based investment after participating in the SIAs	Kevin Baughan	January 2016
10	38	Publish the long list of candidate Catapults, the top three and process and rationale	Kevin Baughan	November 2015
11	40	Bring forward a proposal for a programme to support partnerships with the research councils to accelerate growth in start-ups and existing companies, costed relative to other innovate UK programmes	Kevin Baughan	January 2016
12	44	Make public and market the constituency funding map with cleaned data	Nigel Townley	November 2015
13				

56.