Technology Strategy Board
Driving Innovation

Governing Board Meeting

Minutes of the 47th Meeting

The meeting was held on 8th July 2014 at Said Business School, Oxford

Attendance

Board:
Phil Smith
Mike Carr
Stewart Davies
Iain Gray
Hazel Moore
Sara Murray
Doug Richard
Ian Shott
Sir Christopher Snowden
Bob Sorrell

Apologies:
Amanda Brooks
Colin Paynter

BIS:
Keith Hodgkinson

Executive:
Simon Bennett
Kevin Baughan
Simon Edmonds
Mark Glover
Graham Hutchins
Guy Rickett
Aileen Thompson
Nigel Townley
Linda Wallace

For KTN item:
Chris Warkup (CEO KTNL)
David Lockwood (Chair KTNL)

For Innovate Item:
Natalie Coomber, (Events manager)

Welcomes

1.   The Chair welcomed the Board to its 47th meeting. Aileen Thompson introduced Natalie Coomber, Events Manager, who ran a film featuring the Prime Minister introducing Venturefest.

2.   The Chair conveyed apologies from Colin Paynter noting that this was his final meeting. The Board agreed to formally record its thanks to Colin Paynter for his excellent service as a Board member.

3.   The Chair conveyed apologies from Iain Gray and Chris Snowden who expected to arrive late. He welcomed Linda Wallace, the new Director Communications who introduced herself.

4.   The Chair expressed the thanks of the Board to Aileen Thompson who had done an excellent job leading the communications brief on an interim basis and noted that she had agreed to stay on temporarily to help with the transition to the new brand.

5.   The Chair reminded the Board of the main items in the agenda and invited members to declare any possible conflicts of interest. None was declared.

Innovate UK 2014 (paper TSB2014-04-06)

6. Aileen Thompson and Natalie Coomber presented the key features of the plans for the forthcoming InnovateUK 2014 event. They commented that:

    a. This year's event would be a significant change from past events with a new venue, a new agency and a different structure.

    b. The event was intended to position the Technology Strategy Board and UKTI as key facilitators in the innovation landscape, catalysing innovation between sectors.

    c. The design of the event had taken a strong steer from past customer feedback and comments from colleagues.

    d. There would be a stronger emphasis on finance, exports, and networking. These aspects would be directly marketed to customers. There was a clear ambition to exhibit investible propositions.

    e. UKTI was an equal partner in development and delivery.

    f. The Exhibition would not use the previous approach of having sector based zones. Instead it would be designed to showcase successful innovation and to show off the "heroes".

    g. Marketing was to be focused on UK innovators along with international business delegations (brought in by UKTI overseas posts), corporates, investors and support providers.

    h. The target for ticket sales was 1200. UKTI was seeking sponsors. This felt late but they have a good track record for this.

7. The Board discussed the brand transition process. In discussion, some concern was expressed that, while it was good to give profile to the new brand at innovate, at the behest of ministers, the transition may be too fast and may leave some stakeholders behind. Aileen Thompson reassured the Board that the "*New name for Technology Strategy Board*" explanation would endure well beyond the initial launch.

8. The Board **noted** the plans for the event and the requests for members' contributions.

Minutes of the 46th meeting (paper: TSB2014-03-07)

9. The Board approved the minutes of the 46th meeting

Finance and Risk (Paper: TSB2014-04-03)

10. Graham Hutchins introduced the paper. He explained that the figures were for the end of May. The capital for Catapults appeared to be off target but this was consistent with plans. The figures had been reported against a budget misleadingly flat-lined through the year.

11. The Board discussed the projected £42M overspend and he capital/Smart problem set out in the paper. Keith Hodgkinson explained that the letter from Howard Orme was a very positive response to the request for support on the Smart/Capital problem but suggested that BIS finance was likely to be less sympathetic about the overspend until it was clear that this was not a repeat of previous overspend forecasts that had been followed by eventual under spends. He also reminded the Board that the capacity within BIS to help with either of these challenges would

depend on the returns from across the whole department as there would be no additional support from Treasury for this.

12. Kevin Baughan explained that a number of "soft lever" actions had already been taken to reduce the overspend to £42M and so there were no easy solutions to this. If this overspend has to be resolved within the thematic programmes, he judged that some major visible programme cancellations would be necessary. As it was, he judged that already delayed start dates and competitions would cause some disquiet.

13. Board members expressed deep concerns that at this stage in the year the extent of the overspend was only just becoming apparent and questioned why a longer term rolling forecast had not been in place to make this challenge visible earlier in the year when more corrective levers would have been available. It also questioned why this was only just being explained to the Board. Mark Glover reminded the Board that the plans discussed at the previous meeting had included an overspend risk as a result of "running hot". It was also noted that BIS had never agreed to accept liability for the overspend on this basis.

14. The Board questioned whether the finances for the current year were out of control.

15. The Board agreed to suspend further discussion on this topic until the CEO joined the meeting.

KTN Ltd

19. Iain Gray, Chris Snowden, David Lockwood and Chris Warkup joined the meeting

20. Simon Bennett introduced the paper, explaining that the executive fully supported the approval of the proposed business plan. He suggested that the KTN was a crucial element in positioning the Technology Strategy Board as the innovation system architect. The changes being implemented were building a KTN structure and programme much more closely aligned with the Technology Strategy Board agenda. The focus was on helping the Technology Strategy Board to help business to navigate the innovation system, making connections in unlikely places in heterogeneous rather than homogeneous communities.

16. David Lockwood introduced the Business Plan explaining that much of the change in structure was already complete and that Board approval of this business plan was now necessary as several budgets had been merged resulting into a single programme greater than the delegated authority of the CEO. He reminded the Board of the range of reasons for reasons for change including simplicity, cost-effectiveness and alignment with strategy.

17. Chris Warkup presented the main elements of the business plan. In discussion the following points were made:

    a. The new way the KTN is reorganised represents a powerful new model with a coherent strategy. It seems to have a really good future programme.

    b. It will be important to think carefully about how to set priorities and also, in the absence of comparators, how to benchmark performance.

    c. In the past, KTNs appeared to have a communications based operating model. But the real value is in the facilitation and delivery so there is a need find ways to get feedback from networks and communities on performance in these areas. Chris Warkup reported that work was going on to look at how to measure the outputs.

    d. Close coupling across the whole spectrum with technologists in the Technology Strategy Board will be an important component. Chris Warkup

reported that there was already a real new sense of partnerships with the technologists who could now see real value in the new model.

e. It would be important to demonstrate how the KTN will influence the direction and success of the Technology Strategy Board, with a clear mechanism for feeding in industrial priorities. This was currently mainly through the technologists and this felt a bit informal and soft. Kevin Baughan reported that he was looking at how the KTN would feed in to the process, considering creating a biannual review of sectors and capturing formal input.

f. Close coupled branding between the Technology Strategy Board and the KTN would be necessary if they are to cross promote our programmes and be recognised as a way in to the Technology Strategy Board system. Aileen Thompson pointed out that the KTN was using the same agency and getting the branding aligned with InnovateUK branding. Chris Warkup reported that outreach activities also used the professional bodies and trade associations, their publications and events. David Lockwood commented that there was a need to move web presence to modern world, joining the digital presence with Technology Strategy Board. There was some acceptance that a level of distinctive brand separation would help with recognition of KTN impartiality as the Technology Strategy Board was still seen as Government.

18. Mark Glover explained how current plans were eventually to bring the EENs and NCPs under this umbrella. He also reported that the intention was for the EENs to work closely with the future Growth Hubs.

19. Asked how the team would make savings, David Lockwood commented that the ramp up numbers in 2014 could be slowed in-year for limited savings but beyond that, any short term cuts would be very damaging.

20. The Chair thanked Chris Warkup and David Lockwood for their contributions. They then withdrew from the meeting.

21. In closed session, the Board agreed that it was difficult to agree any new funding in the current finance situation. But it also agreed that the team had done a good job and created a good new structure at the right scale.

22. Iain Gray reported that Chris Warkup was an integral part of the Technology Strategy Board budgeting process and commented that there had been significant savings in bringing the KTNs together but noted that the merged activity now exceeded his authorisation threshold.

23. The Board supported the continuing programme at the current level and agreed that it would like to see the plan progress but decided to withhold approval of the full plan until the overall financial issues were adequately resolved.

Finance (continued)

24. The Chair introduced the session by commenting that it was essential to see a plan for getting the Board's finances for FY 2014/15 on budget and that such a plan was not yet visible. Iain Gray reminded that Board that the figures had only just become available but that, as accounting officer, he recognised that it was his job to manage to the available budget. He reported that he was not currently allowed to violate some of the finance silo boundaries but felt that there was scope to negotiate this and, given under spends in the B&S programmes, there may be a solution there. He was also expecting to seek support elsewhere. He proposed to work with Audit committee on this issue and to come back to the Board by the end of July with a solution. He reminded the Board that it had agreed to run hot by £20M and that

previous dashboards and finance reports to the Board and the Audit Committee had highlighted the issue but also recognised that it was only in the May figures that the scale of the challenge had become clear so he didn't feel that he could have come any earlier to the Board. A number of comments were made:

a.   A number of members expressed lack of confidence that the situation could be promptly brought under control.

b.   A 24 month rolling forecast of commitment should be available at each board meeting that would give a clear view of the consequences of any new commitments and any corrective actions.

c.   There was no value in taking drastic actions that would not contribute to addressing the current in-year challenge or impact too heavily on the Board's ability to scale up in subsequent year.

d.   There was a need to consider the political impact both of stopping things and of announcing new things in a time of budgetary overspend.

e.   It was also necessary to understand better why this situation had arisen.

25.   The Board noted that some time was need to work through the options and agreed that new funding decisions should be suspended pending a clear picture of the proposed solutions. It agreed to have an extraordinary meeting at the end of July, probably by telephone, to consider proposals developed using Audit Committee as a sounding board (**action**).

Chief Executive's report (paper: TSB2014-04-02)

26.   Iain Gray introduced his report. He highlighted the following issues:

27.   **Longitude Prize:** Antibiotic resistance had been chosen as the challenge and the Longitude Committee was now looking at the challenge details. The Board agreed that this was an exciting development and that it should demonstrate how this approach was symbolic of the Board's work and important.

28.   **Digital presence:** the Board noted concerns that its digital presence was poor and in particular the performance of _connect needed to improve. Iain Gray agreed to highlight unique web visitors on the dashboard (**action**) and reported that the social networking aspects of _connect were expected to be replaced with a new approach. The Board commented that moving web presence to gov.uk was a potential problem.

29.   **Devolved administrations**: The Board noted that bilateral meetings had been held with devolved governments of Wales and Northern Ireland. They were each very supportive of a UK wide national innovation agenda and had expressed worries about the knock on effect if the Scottish Referendum resulted in a vote for independence.

30.   **Science and Innovation Strategy**: Keith Hodgkinson reported that Sir Mark Walport had been doing a study of thousands of companies including 600 supported by the Technology Strategy Board with a view to understanding impact of Technology Strategy Board's programmes. He reported that the Catapult review was going well and was expected to publish a report soon, possibly before the Autumn Statement. The Science and Innovation Strategy process was still at the consultation stage, taking inputs from ministers who were all positive about the Technology Strategy Board and talking about future enlargement. Iain Gray sought the Board's support for working more closely with Sir Mark Walport.   IGG support for working with Mark Walport. Chris Snowden reported that Sir Mark generally seemed positive towards the Technology Strategy Board in the CST but that it was important

to get to him the message about the cohesive aspects of the process as he seemed to think that Technology Strategy Board was too hands-off from its projects.

31. **Business Improvement and Change programme**: Mark Glover provided an update on the projects designed to improve the Board's business processes. He commented that most projects require IT changes but the necessary approvals from Cabinet Office were approving difficult to obtain. Phil Smith agreed to raise this with Liam Maxwell (**action**).

32. **Future Cities Demonstrator**: The Board noted that there had been some negative publicity over the demonstrators but that had come after the build project had been completed and handed over.

33. **ETI:** The SSH discussion in ETI had gone well and it looked promising for migration to the Energy Systems Catapult.

Catapult Committee (IS)

34. Ian Shott gave a brief report from the recent Catapult committee meeting. He highlighted the following:

    a. The remaining issues from the Transport Systems Catapult had been resolved and the revised plan had been signed off.

    b. The Precision Medicine Catapult case had met with some concerns at the previous Board meeting and the Committee had looked again at the opportunity and the market failure. The team had convinced the Committee that there was an industrial community facing challenges that could be addressed in a Catapult and was now working on a document re-write. The Committee expected to sign it off in the next couple of weeks. The Board **agreed to delegate authority** to the Catapult committee to sign off the revised enhanced business case.

    c. The Board noted that David Lockwood would from now on be invited to the Catapults chairs and CEOs meetings.

Autumn Statement priorities Paper TSB2014-04-05

35. Mark Glover presented the paper and explained the process for the filters that had been applied to the long list. He reported that the investment gateway process was on going.

36. Kevin Baughan presented the top priority ideas.

37. In discussing the Digital & Creative High Growth Scaling proposal, the following comments were made:

    a. Digital and creative companies can scale fast and often without too much investment.

    b. This area was mostly about people and company/management support rather than typical innovation which is the Technology Strategy Board's usual offer and area of competence. Was this outside our capability?

    c. This was about getting companies investment ready.   It was a thematic version of the wider SME support focussed on a specific area of need.

    d. In digital, this was a very crowded but the creative sectors could benefit as a better differentiated area.

    e. Why not provide loans to help with export barriers such as FCC.

38. Keith Hodgkinson warned the Board that it needed to be clearer about its priorities as funding all 6 areas was very unlikely. There were also some overlaps with research council ideas which needed to be factored in to the prioritisation.

39. **Action** – invite the Board to comment on these priorities, electronically.

Audit and Risk Assurance Committee Paper TSB2014-04-08

40. Bob Sorrell presented the paper. He reported that the Accounts were to be laid before Parliament later in the week. He reminded the Board that it needed a membership succession plan.

21. The Board discussed the current top risks. It advised not to de-emphasise management capacity risk too early.

Closed session

41. In closed session the Board discussed:

    a. CEO recruitment

    b. Board member recruitment process

    c. Senior team development and restructuring of roles

    d. Marketing Innovate to investors. It advised that success in attracting investors would depend on having a very strong panel and the personal involvement of well-known players in inviting investors. It also advised inviting the CTOs of really big buyers.

Summary of decisions and actions:

No	Action	Responsibility	Target date
1	Organise extraordinary Board meeting by telephone to address the finance issue [paragraph 25]	Guy Rickett Graham Hutchins	July 2014
2	Highlight unique web visitors on the dashboard [paragraph 28]	Linda Wallace	August 2014
3	Discuss with the Chair the options for raising the IT project approvals with Liam Maxwell [paragraph 31]	Nigel Townley	August 2014
4	Invite the Board to comment on Autumn Statement priorities electronically [paragraph 39]	Guy Rickett Kevin Baughan	August 2014