

Innovate UK

Minutes of the Governing Board's Meeting held on 30th and 31st March 2016 at KTN Office, London

Present:

Members of the Governing Board

Mr Phil Smith, Chairman of the Board

Mr Harry Swan

Ms Hazel Moore

Dr John Latham

Mr Mike Carr

Dr Robert Sorrell

Mr Ian Shott

Mr Tim Edwards

Ms Tera Allas

Dr Ruth McKernan, Chief Executive

Observer

Ms Amanda Brooks, BIS (Day 1)

Mr Keith Hodgkinson, BIS (Day 2)

Executive

Mr Kevin Baughan, Director of Innovation and Technology

Mr Simon Edmonds, Director of Catapults

Ms Anne **Dixon**, Chief Operating Officer

Ms Lynne Patmore, Interim Chief Financial Officer

Ms Linda Wallace, Director of Communications

Mr Patrick Jarvis, Head of Governance and Secretary to Governing Board

Mr Nigel Townley, Director of Information Technology

Ms Claire Pearce, Programme Management Office Manager (Day 1)

Mr Nick Wisner CBE, Chairman of Energy Systems Catapult (Day 1)

Mr Philip New, Chief Executive of Energy Systems Catapult (Day 1)

Mr Paul Jordan, Head of Strategy Development and Business Planning (Day 1)

Mr Rob Saunders, Head of Energy

Ms Zoe Webster, Head of Materials

Mr Roland Meister, Head of Automotive, Aerospace and Autonomous Connected Vehicle

Mr Dick Elsy, Chief Executive of the High Value Manufacturing Catapult

Day 1

Announcements

1 Mr Smith welcomed members to the meeting and asked for any declarations of interests from members. No declarations were made. No apologies were received.

Minutes of Previous Meeting

2 Mr Smith asked for any further comments on the draft minutes of the previous Governing Board meeting held on 22 January 2016. No comments were received and the draft minutes were therefore approved without further amendment

Chief Executive's Report

3. Dr McKernan presented her update report on Innovate UK's current activities stressing that the organisation was now seen to be in the vanguard of the BIS 2020 programme. Very substantial financial savings were being made from revised accommodation arrangements and the Business Improvement and Change Programme. Ms Brooks confirmed that Innovate UK was perceived to be an exemplar organisation in some areas such as the implementation of its new human resources system and that its reputation was improving amongst the wider BIS family.

4. The Board discussed a number of other issues arising from the update report including the performance of the newly established Agritech Centres, general competitions activity and the SBRI programme.

5. Dr McKernan also presented the current position on the implementation of new innovation financial products. The Board considered a number of aspects of this programme including

- Potential delivery partners
- The level of attractiveness to businesses
- Likely default rates
- The changing role of monitoring officers

6. Ms Brookes noted that HM Treasury had expressed some concerns about the potentially novel and contentious nature of the programme and there would therefore be a need for a detailed study to justify it. The Board agree that it might be valuable to establish a working group to support the Executive Directors as the programme developed.

Finance Report

7. Ms Patmore presented the finance report noting that there was only a small underspend against the 2015/16 budget at the end of February 2016 and that the year-end position would be in balance.

8. The Board noted the favourable financial position and Mr Smith thanked Ms Patmore noting that Innovate UK's finances now seemed to be better controlled than in previous years.

9. Ms Patmore also explained the position in respect of the procurement/development of a new finance system. Innovate UK's original request for spending approval had been turned down by BIS. BIS had instead asked Innovate UK to investigate three interim solutions. Work was now underway to identify the most appropriate of these.

10. Dr McKernan stressed the risks to the organisation of continuing to operate with its current arrangements and the concerns that she felt personally as Accounting Officer. She had already expressed these concerns to senior officials at BIS.

11. Ms Brooks explained that BIS fully understood Innovate UK's position but it was not the only risk area in the wider BIS family. Priority might need to be assigned to a wider solution involving the Research Councils.

Report from the Audit and Risk Assurance Committee

12. Dr Sorrell gave a verbal report of the matters discussed by the Audit and Risk Assurance Committee at its meeting on March 2016. Principal matters discussed by the Committee included:

- Potential improvements to Innovate UK's risk management framework
- The draft 2015/16 Governance Statement
- The appointment of new internal auditors

13. Dr Sorrell stressed that the Committee had also extensively discussed the risks presented by the current financial systems and processes. The Committee had agreed that senior officials at BIS should be made fully aware of the risks presented by the current arrangements. Ms Patmore added that these arrangements also significantly increased the workload and pressures of the finance team.

14. Mr Smith thanked Dr Sorrell for his update. The Board expressed its concern at the inadequacies of the current financial system and endorsed the Executive Management Team's proposals for the development of a new system.

Report from the Catapults Committee

15. Mr Shott gave a verbal report of the matters discussed by the Catapults Committee at its meeting in March 2016. Principal matters discussed by the Committee included:

- Opportunities to take a more strategic approach to the development of new Catapults
- The need to establish a more robust pipeline of potential new Catapults.

16. Dr McKernan asked how the level of funding for individual Catapults was determined and whether there was any process for shifting funding from one Catapult to another. Ms

Brooks confirmed that it was possible for Innovate UK to make such proposals to the appropriate Minister.

Financial Allocation Letter

17. The Governing Board noted that the Financial Allocation Letter had not yet been received from BIS.

Changing for the Future

18. Ms Dixon presented a report on Innovate UK's restructuring process. She stressed that the process was designed to allow the organisation to achieve the aspirations of its Five Point Plan. Key activities to date included:

- New EMT appointments
- Voluntary exit programme
- Interim mapping of staff
- Prioritisation exercise

19 Ms Dixon noted that BIS had not yet provided permission for the voluntary exit payments.

20. The Governing Board discussed the prioritisation process. Dr McKernan stressed that where other agencies were already providing funding there was sometimes no need for Innovate UK to do so as well. However Innovate UK might still run the competitions on behalf of those agencies. Dr Sorrell recommended that communications in this area should focus on successes rather than the deprioritisation aspect.

Business Improvement and Change

21 Mr Smith and Ms Pearce gave a presentation to the Board on the Business Improvement and Change Programme including

- The complex environment in which Innovate UK had historically operated
- The need for simplification and flexible systems
- The role of the Programme Management Office
- The Programme's achievements to date

22 The Board noted the substantial financial savings that had already been achieved by the programme. Ms Dixon added that a recent audit recommended that Innovate UK's Programme Management Office should be submitted to BIS as an example of good practice. The Governing Board congratulated all involved in the Business Improvement and Change Programme.

23 Mr Townley also briefed the Board on cybersecurity matters within Innovate UK noting that

- Cybersecurity arrangements were in generally good shape
- Related governance responsibilities were being transferred to the Operations team following the recommendations of a recent audit
- Annual penetration testing was carried out.

24. The Board noted that previous data breaches were due to staff error rather than external attacks.

Day 2

Energy Systems Catapult Business Plan

25. Mr Wisner, Mr New and Mr Jordan from the Energy Systems Catapult gave a presentation to the Board on the Catapult's new five year business plan. They explained progress on developing new governance arrangements and the appointment of Board members. They reported that the new Board was coming together well. They stressed that the key components of their business plan were:

- Whole system analysis
- The development of test and demonstration platforms
- Systemic collaboration

26. The development of demonstration facilities was particularly important since there needed to be better collaboration between existing smaller centres. The planned platforms would allow the development and demonstration of innovations within a whole system environment.

27. Mr Wisner explained key operational milestones in the business plan and the associated financial details.

28. The Board then discussed the business plan in detail. Particular matters raised included:

- The need to capture added value provided to consumers
- The relevance of non-grant financial support
- The role of DECC and its financial contribution
- The level of anticipated support for SMEs.

29. Ms Moore challenged whether the business plan justified total funding of £50 millions

30. The Board concluded that the Catapult had understood the issues in its sector and had delivered a business plan which met the previously expressed requirements of Innovate UK. Subject to some further small amendments the Board approved the business plan.

Materials and Manufacturing Sector Presentation

31. Mr Edmonds, Ms Webster, Mr Meister and Mr Else gave a presentation on the work and priorities of the new Materials and Manufacturing Sector team. Mr Edmonds provided a general context noting that the presentation focused primarily on manufacturing and was not yet a detailed five year strategy. The presentation included the following key areas

- UK and international commercial opportunities
- The range of UK stakeholders and the total public funding available
- Key strategic themes

32. Ms Webster stressed that the three key sector opportunities were:

- Digital for marketing
- Manufacturing readiness at scale

- Early stage manufacturing concepts

33. Two competitions would be run in 2016/17 each with a broad scope.

34. Mr Elsy explained the current activities of the High Value Manufacturing Catapult. Its current 2016/17 delivery plan was currently with Innovate UK for approval. The Catapult was heavily involved in Europe. Dr McKernan reminded the Board that manufacturing was a sector in which Innovate UK managed a number of large programmes on behalf of other agencies. These included the ATI and connected and autonomous vehicles.

35. Mr Edmonds concluded by noting that a more detailed strategy would be worked up over the summer and launched at Innovate 2016 in the autumn. It was very important that the other relevant agencies were fully engaged in the strategy.

36. The Board noted the progress being made by the sector team and asked for better metrics and success measures to be included in the final strategy.

Five Year Strategy and 2016/17 Delivery Plan

37. Mr Baughan introduced the draft Innovate UK five year strategy and 2016/17 delivery plan stressing that they were different documents with different publishing dates. The former needed to be published in parallel with the Government's wider National Innovation Plan.

38. The Board discussed the detail of the strategy document. Key points made included:

- The need for clear measurable targets
- The position of the metrics within the document
- Good links had been made with Innovate UK's five point plan
- Signposting to other support agencies within the innovation environment
- The effectiveness of the SBRI programme
- The visibility of managed programmes within Innovate UK's wider work

39. It was agreed that Mr Baughan would amend the strategy document to take account of the Board's comments and subject to this the document was approved.

40. The Board also discussed the one year delivery plan for 2016/17. Key points made included:

- The document was much improved compared with previous year
- There was a need to better highlight outputs and impacts

41. It was agreed that Mr Baughan would amend the document to take account of the Board's comments and subject to this the document was approved.

Diversity

42. Ms Dixon presented a report on Innovate UK's programme to improve diversity in its work. The Board noted that the Secretary of State was taking a close interest in Innovate UK's activities in this area. Innovate UK would shortly be launching a Women's Innovation Award. The results would be announced at Innovate 2016 in the autumn.

43. Mr Smith noted that there were still some diversity issues to be addressed at Governing Board level.

44. The Governing Board endorsed the activities and direction of travel set out in Ms Dixon's report.

Any Other Business

45. It was agreed that metrics and measures would be further discussed at the next Board meeting.