1. What do you see as the main benefits of the integration of Innovate UK with Research UK and how integration provide opportunities not currently available, or taken, to increase innovation?

The Research Councils mission is to ‘support excellent research as judged by peer review that has an impact on the growth, prosperity and wellbeing of the UK.’ Innovate UK’s mission is ‘work with people, companies and partner organisations to find and drive the science and technology innovations that will grow the UK economy.’ Bringing the two together in the one agency should be synergistic in policy terms, programme design, advocacy and accountability. One major effect should be to amplify the impact of high quality research.

Integration needs to recognise both the complementary but also the distinct virtues of discovery and application as well as the importance of research capability/capacity. It is the world-class nature of the UK research base which enables it to make such a major contribution to innovation (‘the successful application of new ideas’).

Research-based ideas, discoveries, findings etc. with potential application to new or improved services or products need to be nourished by Research UK (integrating Innovate UK). Universities and other research organisations, companies and other partner organisations need seamless support for research-driven innovation. One should not presume let alone propose a ‘one size fits all’ model across all research fields or industry sectors. The seven Research Councils and the groupings within Innovate UK should be encouraged to facilitate activities in ways that reflect disciplinary, sector and market differences.

Closer integration or alignment of funding schemes should encourage and accelerate ‘pull through’ of innovation across the traditional ‘valley of death’, particularly in making University research accessible to SMEs.

Closer integration of existing Innovate UK networks (https://connect.innovateuk.org/) with Research Council strategic partner networks may also identify new opportunities by providing a more complete picture of the research and innovation ecosystem.

At an operational level, allowing HEIs to lead bids in traditional Innovate UK space (for projects with >50% expenditure in industry) could reduce administrative burdens on SMEs, who may lack experience of applying for grant funding or the resource to do so.

Integration could allow a closer alignment of strategies (where relevant) for translation of research to new technology exploitation by UK companies, thus allowing certain opportunities for innovation to be harnessed more quickly, as funding mechanisms could be better integrated. Research UK should be able to identify emerging research from the research base and get the timing and processes right to enable its translation to application. At the same time it will be able to identify business requirements and, where appropriate, feed these into future research strategies. The current system with separate organisations does not work optimally. Innovate UK does not understand the breadth of the research base and there is not a seamless flow of new ideas and needs.

Note that facilitating a seamless innovation process is not the same as controlling it. A merged body should not seek to “manage” or control research and innovation – there are too many other organisations who need to be involved. Instead, facilitation and leadership is what is required.

The calls from Innovate UK are at present highly managed and specific. An integrated model could allow for the development of responsive mode funding, becoming less prescriptive and allowing bidders to take on more radical topics and collaborations.
In general the SMEs coming through the Innovate UK program are not connected into the best of UK research, but rather to those who want to be in this sort of relationship. A closer movement of Innovate UK mechanisms to Research Council approaches may motivate the very best scientists to get involved, providing incentives for them to consider further business applications and collaborations. It may also enhance drivers towards interdisciplinary collaboration and reward further internal collaboration in Universities. Innovate UK can learn from the Research Councils ways to reduce bureaucracy and make more effective use of peer review.

The integration presents the opportunity for Innovate UK — and Research UK more broadly - to move away from the current narrow interpretation of “business-led” activity. We would argue that innovation very much includes e.g.

- Professional/practitioner innovation (beyond the sphere of the economy, to include for instance international organizations, the policy community and the voluntary sector)
- Innovation in public policy-making
- Innovation through in public debate

“Business-led” has been seen, even if unintended, to imply that Universities and PSREs should have no significant voice in Innovate UK programmes, and neglects the investment these institutions have made over the last two decades in developing knowledge exchange skills and infrastructure. Business investment in University research continues to grow, increasingly through larger scale collaborative activity. Universities are creating increasing numbers of disruptive companies through spinout activity and startups from entrepreneurial students and staff. They are increasing technology licensing activities and investing in the development of business and entrepreneurial skills in their students.

In the past, the leadership of Innovate UK (with one or two notable exceptions) has not sought to understand or work closely with universities. The integration is a real opportunity to improve this state of affairs and recognise that “business-led” should mean “led by the interests of the whole business community” rather than “led by people who work or used to work in a large business”, or “led by some businesses”.

2. What are the main risks for both business and research of the integration of Innovate UK into Research UK?

Inclusiveness: As noted above, we would like to see the new overarching body, Research UK, use an inclusive definition of ‘innovation’ and not place a disproportionate focus on traditional technology ‘innovation’, narrowly defined; other routes to impact (policy, societal or cultural) are equally important. Innovation should not be solely defined in terms of monetised benefits.

Research seeks innovation in a much broader sense, incl. generating new ideas, new modes of cognition, renewed methodologies for carrying out our research. New thinking from unexpected sources can be a driver of radical rather than incremental innovation.

Diversity: We need to ensure that particularly effective funding mechanisms that are specific to either Innovate UK or RCUK are not lost in any integration. Specific examples are Impact Acceleration Accounts or the Biomedical Catalyst, but they are not the only schemes. Different funding schemes do different jobs and we would not want to see diversity lost. We need to “hide the wiring”, yes, but different schemes have evolved to perform different functions and diversity is not of itself undesirable. IAAAs have provided an important, flexible mechanism to drive projects across the boundary into commercial reality. The loss of
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Instruments like the Biomedical Catalyst would be a risk for both business and research, as this has provided both a "pull" mechanism for new company formation based on university research (prospective investors can see the opportunity to get more bang for their buck when their seed funding is bolstered by non-dilutive funding from the Biomedical Catalyst) and a valuable source of funding for existing SME’s to allow them to develop their technology to the stage where high value partnerships or larger investment rounds are more feasible.

The research councils have considerable knowledge and experience of innovation out of the research base, including business engagement and early stage commercialisation. This fact can be overlooked within Innovate UK who can underestimate the challenges of increasing the quality and quantity of university/business collaboration and spin out formation. It might be argued that integration could remove a perceived overlap in innovation activity under the assumption that Innovate UK are better placed to lead on strategy and resourcing for innovation, but this would risk undermining the successful work done by universities and research councils. This is particularly important in the relationships developed between the research councils and university research management and technology transfer offices, who are key players in the system. Any changes need to bring both perspectives to the table.

**Short-termism:** It is vital that integration does not lead to a shift (overt or covert) in the balance of funding between fundamental research, translation and industrial R&D. *Maintaining significant public investment in curiosity-driven research* is essential to preserve a long-term pipeline of innovation. With a squeezing of budgets, research investment could be reduced in favour of anticipated short-term business impact and the UK’s research excellence and capacity would be seriously threatened.

There is a concern that research funding decisions may increasingly be driven by short-term anticipated economic payoffs. Two major risks arise in that context: A depletion of the fundamental disciplinary research base and the depletion of funding for other forms of impactful research in the same area.

**HEIF:** an additional factor may also apply if existing HEFCE functions with respect to research and impact/innovation are integrated into RUK. HEIF is, in effect, a form of ‘dual support’ – providing the institutional infrastructure that underpins project-specific RCUK and Innovate UK activity. It has been phenomenally successful in its implementation by HEFCE in changing University culture and underpinning new thinking. This has been possible because HEFCE have a strong understanding of the cultures and diversity in the University sector, and a commitment to supporting very diverse approaches to using this funding. Were the narrow focus on Innovate UK to be applied to HEIF it would be a disaster, removing the underpinning of an ongoing revolution in our universities and setting us back a decade or more.

**Loss of expertise:** By and large, different skill-sets and outlooks are required when engaging with academics and with industry. If integration is seen as a way of achieving efficiency savings, it will be important to ensure that the consolidated organisation retains expertise in both areas. Capturing sector-specific knowledge (that may be largely held in people’s heads) before it is lost will be an important task: stakeholders rarely like being asked for the same information multiple times.

**Loan liabilities:** The proposal for grants to business to be replaced by loans will also bring a risk that unrepaid loans could reduce money available for research councils, if budgets are integrated. We would argue that this liability must be ring-fenced. Specifically, a loan based model may make it even more difficult to engage UK companies in collaborative development of technology developed within disciplines and departments which do not have a history of working with industry and require a longer period of time to build a partnership.

**Bureaucracy:** There is a risk that the integration could drive more contractual intervention in the university-business interface by RUK. There are tensions between public finance for public good and issues of use of
IP for private gain. The acknowledged challenges of building relationships between universities and third parties should not be mis-used to allow the individual businesses to aggressively seeking to control the outputs and activities of university research groups for their sole benefit. University research and technology transfer offices are experienced in balancing the needs of business and the need to preserve the public benefits provided by universities, and are motivated to do so. Their role needs to continue to be celebrated and supported. Central government interference would be damaging.

There are concerns that the pressure on Innovate UK’s budget may lead them into seeking to control the commercialisation of technologies arising from the research base generating returns to Innovate UK’s budget. This is already a complex landscape where many research funders, as well as company collaborators seek to influence outcomes. An aggressive approach by Innovate UK would discourage universities from working with them and slow down the pace of innovation.
3. Are there any specific issues Government should consider when looking at the practical arrangements of integrating Innovate UK into Research UK?

It is unclear to what extent Innovate UK already makes use of UK Shared Business Service systems. Whilst there may be some, modest savings by having a single Accounting Officer, further detailed assessment will be needed to assess the potential for operational savings. Non-trivial, up-front investment may be required to integrate or adapt existing systems and processes. It will be vital to learn lessons from the original UK SBS implementation. In particular, savings in the administrative processes of the research councils have historically often led to pushing the costs down to universities, arguably increasing the overall cost to research management in the UK. Proposed “savings” should therefore be considered in this light. See: www.nao.org.uk/report/shared-services-in-the-research-councils/

There have been significant changes to research councils and their administrative systems in recent years, which have led to a focus of resources away from engaging with the research base. Further integration will inevitably lead to further administrative changes and subsequent further retraction of research council’s staff available to engage with the research base to better understand the challenges faced by universities and their researchers. If integration does occur then additional resource should be made available to ensure this important (and often overlooked) role can continue.

There should be a maintaining of the research base-focused teams (academic-focused, with added strategic industrial input) which have been present in the Research Councils and the nearer market business-focused teams from within Innovate UK. This allows constant challenge, which helps innovation. There also needs to be a mechanism for translating technologies between disciplines/sectors

There is a strong perception of excessive audit and compliance demands from Innovate UK, which discourage participation in their competitions. This red tape should be reduced.

University academics are rightly concerned about protecting academic freedom, and placing the maintenance of academic integrity at the heart of all we do. Universities have shown that this is compatible with delivering benefits for business at the same time and have made great strides in changing their approach accordingly. However, interventions that seek to force universities to move away from these core values will be counter-productive and should be eschewed.