EXPLANATORY MEMORANDUM TO

THE TECHNOLOGY STRATEGY BOARD ORDER 2007

2007 No. xxxx

1. This explanatory memorandum has been prepared by the Department of Trade and Industry and is laid before Parliament by Command of Her Majesty.

2. Description

Before a recommendation may be made to Her Majesty to make the Order in Council declaring the Technology Strategy Board to be established as a Research Council, section 1(4) of the Science and Technology Act 1965 requires that the draft Order must be laid before Parliament and approved by a resolution of both Houses of Parliament.

3. Matters of special interest to the Joint Committee on Statutory Instruments

None.

4. Legislative Background

The instrument is to be made by Her Majesty in Council under section 1(1)(c) of the Science and Technology Act 1965.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Minister of State for Science and Innovation, Malcolm Wicks, has made the following statement regarding Human Rights:

"In my view the provisions of the Technology Strategy Board Order 2007 are compatible with the Convention rights".

7. Policy background

7.1 The Science and Technology Act 1965 provides for the creation and funding of Research Councils and related matters.

7.2 The Science and Innovation Investment Framework 2004-2014: Next Steps document published alongside the budget in 2006 said:

"It is timely to build on the success of the Technology Strategy Board ("TSB"), which has introduced user defined requirements in order to fulfil its mission of stimulating innovation in business. The Government expects the TSB to play an increasing role in contributing to developing the Government's innovation strategy across all important sectors of the UK economy."

7.3 The present advisory TSB has contributed to the success of the Technology Programme (currently funded at £178m per annum), by advising the DTI on business research, technology and innovation priorities for the UK, advising on the allocation of funding across these priorities and the most appropriate way to support them. Over 500 projects have been supported, mobilising over £750m of resources devoted to research and development in new and existing sectors of the UK economy.

7.4 The Government believes that the right way to build on the success of the TSB and to ensure that a programme of technology support continues to be delivered in an efficient and effective way is to create an executive arm's length body, which is what the draft Order does. Its objects and the approach will however be different from research councils created so far under the Science and Technology Act 1965. Its primary location will be in Swindon. It will be business focussed with a business-led Board, and will work closely with Government Departments to ensure that the TSB's spending programmes contribute fully to the technology and innovation agenda, creating real commercial advantage for UK business. It will work closely with Ministers in achieving its objectives.

7.5 The objectives of the body will be to promote and support research into, and the development and exploitation of, science, technology and new ideas for the benefit of business, in order to increase economic growth and improve the quality of life in the UK, through the delivery of key products and services as agreed with the Secretary of State. This programme will include collaborative research and development ("R&D") for business investment, and use of technology, in manufacturing and service industries which: helps grow R&D in sectors where the UK economy is strong; develops new sectors through the creation and growth of R&D intensive small and medium-sized enterprises; and supports the use of technology in areas important to the future of existing and emerging sectors in the UK. The establishment of the new body will provide improved strategic focus, better operational flexibility, and greater consistency and coherence in the delivery of the Government's programme of technology support.

7.6 The main role of the new body will be to have executive responsibility for delivering a programme of Government financial support through appropriate mechanisms to encourage business investment in, and use of, technology across all sectors of the UK economy. It will work with Government Departments and Agencies and the Devolved Administrations, the Regional Development Agencies and the Research Councils. It will collaborate with these bodies and industry in technological developments and innovation of importance to the UK and to

Government procurement. A key role of the new body will be to support close working between Government and business in developing and exploiting new technologies through its programmes. The new body will alert Government to areas where barriers exist to the exploitation of new technologies, and may be asked to put forward recommendations as to how they can be removed, but responsibility for the overall direction of innovation policy will remain with Ministers.

8. Impact

A Regulatory Impact Assessment has been prepared for this instrument and is available on the DTI website on http://www.dti.gov.uk/consultations/ria/index.html.

9. Contact

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REGULATORY IMPACT ASSESSMENT

PROPOSED CONVERSION OF THE ADVISORY NDPB, THE TECHNOLOGY STRATEGY BOARD, INTO AN EXECUTIVE NDPB

Objective of the proposed change in status

The Government proposes to convert the Advisory NDPB, the Technology Strategy Board, into an Executive NDPB, retaining the name the Technology Strategy Board (TSB), and give it executive responsibility for delivery of the Government's technology support programme. Its mission will be to promote and support research into, and the development and exploitation of, science, technology and new ideas for business purposes.

Devolution

These changes will have implications across the UK. The new body will seek to collaborate with the Devolved Administrations in fulfilling its purposes.

Background

The Science and Innovation Investment Framework 2004-2014: Next Steps document published alongside the budget in 2006 said:
"It is timely to build on the success of the Technology Strategy Board, which has introduced user defined requirements in order to fulfil its mission of stimulating innovation in business. The Government expects the TSB to play an increasing role in contributing to developing the Government's innovation strategy across all important sectors of the UK economy."

Consultation

A wide range of organisations active in the promotion of technology to UK business, including the Devolved Administrations, Regional Development Agencies, the Research Councils, the CBI, EEF, other representatives of business, Government Departments and the membership of the present Technology Strategy Board were consulted informally between May and July 2006. All have been supportive of the proposition that the TSB should be established as an Executive Non-Departmental Public Body to deliver a programme of technology support.

The case for change

The present advisory TSB has made an excellent start in contributing to the success of the Technology Programme (currently funded at £178m per annum), by advising the DTI on business research, technology and innovation priorities for the UK, advising on the allocation of funding across these priorities and the most appropriate way to support them. Over 500 projects have been supported, mobilising over £750m of resources devoted to research and development in new and existing sectors of the UK economy.

The Government believes that the right way to build on the success of the TSB and ensure a programme of technology support continues to be delivered in an efficient and effective way is to create an executive arm's length body. This will be set up as an executive Non-Departmental Public Body with its primary location in Swindon. It will be business focussed with a business-led Board. It will work closely with Government Departments to ensure that policies and spending programmes contribute fully to the technology and innovation agenda, creating real commercial advantage for UK business. It will work closely with Ministers in achieving its objectives.

The objectives of the body will be to promote and support research into, and development and exploitation of, science and technology and new ideas for the benefit of business, in order to increase economic growth and improve the quality of life in the UK, through the delivery of key products and services as agreed with the Secretary of State. This programme will include collaborative research and development ("R&D") for business investment, and use of technology, in manufacturing and service industries which: helps grow R&D in sectors where the UK economy is strong; develops new sectors through the creation and growth of R&D intensive small and medium-sized enterprises; and supports the use of technology in areas important to the future of existing and emerging sectors in the UK. The establishment of the new body will provide improved strategic focus, better operational flexibility, and greater consistency and coherence in the delivery of the Government's programme of technology support.

The main role of the new body will be to have executive responsibility for delivering a programme of Government financial support through appropriate mechanisms to encourage business investment in, and use of, technology across all sectors of the UK economy. It will work with Government Departments and Agencies and the Devolved Administrations, the Regional Development Agencies and the Research Councils. It will collaborate with these bodies and industry in technological developments and innovation of importance to the UK and to Government procurement. A key role of the new body will be to support close working between Government and business in developing and exploiting new technologies through its programmes. The new body will alert Government to areas where barriers exist to the exploitation of new technologies, and may be asked to put forward recommendations as to how they can be removed, but responsibility for the overall direction of innovation policy will remain with Ministers.

Costs and benefits

The costs associated with delivery of the Technology Programme (Collaborative R&D and Knowledge Transfer Networks) through the new TSB will not exceed the current costs of delivery arrangements within the DTI (based on programme spend of £178m per annum). It is anticipated that there will be efficiency gains in respect of the administrative work that is at present outsourced. In addition, as stated above in the "Case for change", the new body is also expected to result in improved effectiveness in delivery.

Risks

As stated above in "The Case for change", the risks that the new TSB will address are that an advisory TSB does not optimise strategic focus, operational flexibility, consistency and coherence in the delivery of the Government's programme of technology support, as well as the ability to work with third parties.

Sectors and groups affected

The creation of the new body will potentially affect the following range of stakeholders active in the UK's science and innovation community. It is expected to be positive, both in terms of improved communications and joint working, and increased impact from expenditure under the programme of technology support. Negative impact is likely to be minimal:

Private Sector

Businesses active in research and development

Public Sector

Central Government
Devolved Administrations
Research Councils and higher education funding bodies
Regional Development Agencies
Local Authorities
Other Government Agencies
European Commission

Small Firms Impact Test

This proposal is expected to have a positive effect on small businesses pursuing innovative ideas.

Competition assessment

This proposal is about the organisation and status of the TSB, not what it delivers. This proposal will have no effect on competition.

Enforcement, Sanctions and Monitoring

The Government will monitor the impact of the measures presented and any future measures as part of its annual reporting on the Science and Innovation Framework 2004 – 2014.

The TSB will provide an annual report on its activities and on those aspects of Government policy which bear on business investment in and use of technology and new ideas.

Implementation and Delivery Plan

DTI is aiming to have the new body in operation by 1 July 2007. This will require use of the powers of the Science and Technology Act 1965 as follows; those in section 1, whereby Her Majesty in Council can be requested to approve an order to establish the new body after affirmative resolution approval of the draft Order by each House of Parliament, and those in section 3, whereby following a transfer of responsibilities to the new body, staff, assets and liabilities can be transferred by order of the Secretary of State after a negative resolution.

Staffing

The staff transfer process will comply with TUPE requirements.

Post Implementation Review

The new body will be reviewed through a formal six-monthly review with progress against objectives being monitored by a quarterly review of individual scorecards.

Recommendation

We recommend that this proposal be implemented.

Declaration and Publication

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Date: 23rd November 2006 ***Malcolm Wicks***

Malcolm Wicks
Minister of State for Science and Innovation

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