

# Response ID ANON-8U48-NCFK-U

Submitted to **Review of Small Business Research Initiative (SBRI)**

Submitted on **2017-02-08 14:37:41**

## Introduction

### 1 What is your name?

**Name:**

Dr Jane Gate

### 2 What is your email address?

**Email:**

jane.gate@airto.co.uk

## You and SBRI

### 3 Are you responding on behalf of an organisation?

Yes

### 4 Please give your organisation's name if you are responding on its behalf.

**text box:**

AIRTO Ltd. (Association of Innovation, Research & Technology Organisations)

### 5 In which region/country are you based?

**dropdown menu of options:**

South East

### 6 Please select the category which best describes your organisation:

**dropdown menu of options:**

A trade or industry association

**If other, please specify here::**

### 7 How have you heard about SBRI before?

**dropdown menu of options:**

Innovate UK website

**If other, please specify here::**

### 8 Have you (or your organisation) applied for SBRI?

No

## General questions about SBRI

### 24 What measures could the Government take to improve the structure and design of the SBRI programme?

**Please use this textbox to answer:**

There is a need to utilise SBRI more widely to initiate the development of innovative products and services aimed at supporting delivery of departmental policies and programmes. User departments should be encouraged, incentivised and helped to adopt the scheme rather than just instructed to demonstrate its use. This will be easier to achieve if the mechanics of application and deployment are kept as simple as possible. Officials should be helped to understand the benefits to themselves and to fulfilment of their obligations. It would also help considerably if relevant departments were to be charged, where possible, with contributing to the prosperity of the country; that and being tasked with demonstrating the application of government spending to the challenge of raising the UK's productivity and its performance in adopting, commercialising and exporting innovative products and services would improve the context in which SBRI could be used to support government's aims and objectives.

### 25 How can the Government improve its use of SBRI?

**Please use this textbox to answer:**

Application of the leverage available through the purchasing power of public sector procurement to pull through innovative products and services into every-day use in all the sectors identified as key in the government's Industrial Strategy currently under development. Providing purchasing contracts, to innovative SMEs in

particular, will to help raise the level of private investment in R&D and thereby increase SMEs' resources for growth and job creation. SBRI should be used more extensively for this purpose, with placement of procurement contracts for research through to supply of demonstrators and prototypes. R&D tax credits will further incentivise innovation and should be made widely available, but they are not a substitute for procurement initiatives as they do not provide such a direct underpinning for investment decisions. If at all possible we should avoid having to re-compete each stage of the work as this is a significant disincentive for SMEs to engage and it slows progress.

As noted above, departments may need help to understand how SBRI could change the way they procure and operate; a paradigm similar to adoption of digital services, pre the introduction of the Government Digital Service, providing help and support within the procurement community may be required.

## **26 How can the Government raise the profile and awareness of SBRI to help more businesses commercialise their innovative ideas?**

### **Please use this textbox to answer:**

SBRI is often not an obvious way to finance innovation for many areas of UK business. A much clearer roadmap of sources of funding and their suitability and applicability is needed, along with stability in the construct of schemes. A focused communication strategy is needed alongside a re-launch of SBRI based on this review. Industry and professional bodies should be helped to spread the message to innovative companies they work with. AIRTO members would be committed to helping such communication activity.

## **27 How does SBRI compare to any other innovation programmes you are aware of? Does it offer something different or better?**

### **Please use this textbox to answer:**

Many SMEs rely on grant model funding for their innovation activities, SBRI as a full cost contract brings a different mind-set to the SME and moves it from dependency towards maturity, with focused deliverables. Most grant schemes require matching funds from the applicant and this can be a problem for pre-revenue start-ups that are too early to attract equity investment.

Equity investors generally seek companies with demonstrable revenues from contracts. The ability to demonstrate such revenues, including from SBRI, increases the likelihood of being able to raise private funding. The placement of contracts through SBRI schemes and via public procurement allows SMEs to demonstrate revenue flow.

## **28 Are there areas of the public sector where you think SBRI has particular relevance and is underused?**

### **Please use this textbox to answer:**

By and large the UK stands to make the best impact by pursuing global challenges (within the context of the industrial strategy) and aiming to do fewer things on a more intensive scale, instead of spreading efforts too broadly. Addressing these challenges for innovation with the UK's key areas of strength in advanced and high value added science and engineering is the foundation upon which the UK should build the technology based element of its industrial strategy (in space/aerospace/high performance automotive/civil engineering and building design/life sciences/ digital design/robotics and automated systems).

SBRI should be used in:

- \* Sectors with significant regulatory or approval requirements, such as biotech and aerospace respectively, where the timescales needed to prove compliance increase costs and risk and lower the rate of return on investments. This is a well-known issue and deters many investors.
- \* Sectors where there is an effective or near monopoly in the UK market in terms of procurement, such as health with the NHS. This means that there is really only one significant UK potential early adopter client. Any barriers in NHS purchasing plans can be fatal to commercialisation efforts. SBRI is already used by the Department of Health and this should be intensified.
- \* Sectors with weak or conservative innovation cultures such as, for example, construction, where past examples of innovation may have had only limited success, generating a risk averse culture.

## **29 Are you aware of the similar programme in the United States (the US SBIR)? If so, are there lessons we can adopt from that programme?**

### **Please use this textbox to answer:**

The US uses its SBIR scheme to support, to great effect, early stage SMEs through the use of procurement contracts, including for research. AIRTO believes that the SBRI mechanism should be used more widely than the current range of contracts placed.

It may be interesting to note that a successful SBRI pilot was operated by EPSRC for research as part of the Faraday Partnership programme in the early days of the scheme, but not pursued further over concerns about the burden of vetting applicants for financial viability. This task now falls to Innovate UK and it may therefore be worth revisiting the use of SBRI in the research domain.

## **30 Are there any other comments you would like to make about the SBRI programme?**

### **Please use this textbox to answer:**

Given the extreme difficulty of increasing public spending in the current fiscal environment, every effort should be made to use public procurement budgets to support innovation via the placement of contracts for new and innovative products and services. This should be strongly aligned with the industrial sectors promoted by the government's Industrial Strategy currently under development. Such early adoption by a customer, albeit from the public sector, will help to stimulate confidence in business and leverage additional risk investment from the private sector.

A means to compensate for the requirement to charge VAT on such contracts would be helpful and would avoid the impression that grants would be a better use of departmental funds as they avoid funds being taken up by an additional 'unproductive' overhead cost.

## **31 Would you be willing for your responses and your name to be made publicly available?**

Yes