

Groundbreaker innovation funding and competition consultation response

As an SME with over 40 years experience working within the UK Water Industry, and having developed a range of innovative products widely in use, we have been pleased to follow the consultation process with regard to the Innovation Funding and Competition. The introduction of new ideas or innovative products into the UK water industry is challenging, and any mechanism to enable improved communication between ourselves, the companies and funding opportunities is welcomed. Our response to your consultation is provided from this perspective.

Q1: Do you agree with our proposed default arrangements for managing IPR and royalties? Do you think these arrangements work for different types of projects and activities (e.g. new technology vs. process innovation, roll-out activities etc.)?

Whilst we recognise the need for IPR and Royalties throughout all the businesses contributing to the fund, it needs to be recognised that SME's, in particular, may rely solely on the Water Industry as its revenue source.

In particular, where a business's primary focus is not research and development, they need to retain sufficient control of IPR and licensing to ensure that the indirect costs of product development are recouped. The model must allow SME's to thrive on their innovation and not result in a 'brain drain' and transfer of IPR out of the businesses control.

Q2: What alternative arrangements should we be considering for IPR/ royalties?

IPR and Royalties would be an acceptable arrangement, subject to the above caveats.

Q3: Do you agree with the principle that data generated through the innovation competition should be open by default?

The objective of open data sets is often beneficial to the development and expansion of innovation across the industry. However, the intrinsic value of a dataset to SME needs to be factored into the financial calculations when IPR and licenses are agreed.

Q4: Do you agree with our proposed approach and that we should consider alternative arrangements beyond company contributions?

At the point where a SME is likely to bring an innovation to this fund, a significant contribution to the development will have already been made. It is acceptable that the business should contribute to the further development, but it should also be recognised, that the SME has already invested in the very high risk, initial development stage of the project. £50,000 of initial blue-sky research funding does not have the same risk value as £50,000 of commercialisation funding.

The stage of the innovation development and the risk value of funding should be factored into calculations of contributions.

Q5: Do you agree that a guideline minimum company contribution of 10% is appropriate in this context?

The percentage of contribution should be flexible, based on project size, proportion of the contribution to the overall project, innovator business turnover and potential income to the business.

The risk is that a small element of a project, which may be critical and allow for the innovation to be implemented, becomes part of a larger scheme and hence make a 10% contribution unreasonable.

Q6: Do you agree with the overarching approach we set out here?

Yes

Q7: What are your views on introducing separate, proportionate, arrangements for small-scale projects? How might we define small-scale projects for the purposes of the innovation competition?

Incremental change implemented via a series of small-scale projects can over time produce significant improvements to business.

Small scale projects can be defined in a number of ways but would, overall, have impact limited to a specific operation or geography.

Q8: Do you agree with our proposal for ensuring roll-out is at the heart of the innovation competition? How might we reward both leaders and fast followers in?

Unless the project is rolled out there is very little benefit to an SME of the time investment in the development of an innovation. To enable this, support through innovation development to commercialisation stage and mutually beneficial licensing agreements are required.

Q9: What practical arrangements should we introduce to ensure adequate ring-fencing of the innovation funding?

Unable to comment on this topic.

Q10: Do you think the proposed innovation challenge approach will help better enable partnerships and collaboration between companies and third-parties, in particular smaller innovators? Are there alternative approaches we should be considering? How can we make sure this approach works in practice?

A major barrier to innovation by SMEs being adopted by the water companies is the access to people within the business with the right technical knowledge and influence.

Whilst 'Innovation Days/Competitions' can provide a value access point to this type of project funding it does not always provide access at the required point in the projects' development or in an appropriate timeline, e.g. UU Innovation competition looked for innovations that could be commercialised in a 12 week period. There needs to be opportunities for projects at different points in their development to be considered; particularly investment at higher risk earlier stage development which is often considered outside the scope of water companies.

Innovation funding is often strategy lead, i.e. we need something to achieve X. However, adoption of this type of mechanism can frustrate innovations which do not fall within a recognised priority. To quote an Innovation Manager at a major water company 'Will you stop solving problems we didn't know we had...I don't have a budget for that.' Often small scale, this type of innovation can be led from the ground up, and whilst not individually significant can contribute to overall improvements. A mechanism where potential projects can be introduced to the relevant, knowledgeable staff can be invaluable in enabling progress.

Q11: Do you agree with our proposed approach to returning funds to customers? Are there any other circumstances, not considered here, under which we might consider returning funding to customers?

Funded project needs to be scrutinised and models such as the one utilised by programmes operated under the Knowledge Transfer Partnership (KTP) and part funded by Innovate UK already exist and are recognised as effective.

Projects, particularly at early stage development, need to have the facility to modify the original parameters and scope. There is always a temptation to continue following less that

optimised path, due the restrictions of a particular funding stream. This facility can result in a higher success rate and mitigate the instances where returning funds is required.

Q12: Do you agree with our proposed approach for managing interactions with the price review?

Yes

Q13: Do you agree with our proposed amendments to the principles? Are any further amendments to the principles required to reflect our approach to outstanding policy issues outlined in this document?

Yes. No

Q14: Do you agree with our proposed focus, major strategic themes and overall approach for the competition?

The focus of dividing the funding into the two competitions and enabling activities is sound, although the document contains little detail in the scope of Enabling Activities. To SMEs the enabling activities are likely to be the key for entrance into the competitions and should allow for access to the appropriate level water company personnel, holding both the technical knowledge and decision-making authority to facilitate the progress of an innovation to competition entry.

Major strategic themes are valid, but it should be ensured that their definitions are broad enough to prevent innovations being excluded from the funding stream.

Q15: What is the appropriate split of available funding between the Innovation in Water Challenge, the main competition and enabling activities?

The funding split will depend on the primary focus of the fund. Smaller projects are likely to have incremental impacts on working practices, customer satisfaction levels, environmental impact etc, but are unlikely to have major monetary returns to the business. However, large scale innovations could produce step change differences to water supply in the UK. The balance of funding needs to take into account the possibility of alternative funding streams for the scale of project and focus of those where this is least available.

Q16: What are your views on the feasibility of running all three types of activities in the pilot year, and on the proposed timings in Annex 3?

It is likely that there are a large number of small-scale projects that are in a position to proceed with funding application, and regular opportunities to initiate projects could be beneficial to momentum in both water companies and third-party businesses.

Timescale for larger project may be more challenging.

I hope that our contribution has added our perspective to you considerations, and look forward further involvement in product and practice innovation in the water industry.

Regards,



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