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Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport



Llywodraeth Cymru
Welsh Government

Russell George AM
Chair
Economy, Infrastructure & Skills Committee

25 June 2018

Dear Russell

Further to the Economy, Infrastructure and Skills Committee meeting on Thursday 7 June 2018, I enclose a paper setting out how Wales is taking advantage of the opportunities arising from the UK Industrial Strategy.

A handwritten signature in black ink, appearing to read 'Ken', written in a cursive style.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Wales and the UK Industrial Strategy

This note sets out how Wales is taking advantage of opportunities arising from the UK Industrial Strategy.

1. UK Research, Development and Innovation (RD&I) Funding

- 1.1. Most UK RD&I funding is not devolved to Wales and is being allocated on a competitive basis by UK Research and Innovation (UKRI) – the new body combining the UK research councils and Innovate UK .
- 1.2. The amount of funding won by Wales from Innovate UK has been increasing year on year with over £88m won since 2010/11 and at least another £48m confirmed but not drawn down. This figure does not include current, active submissions to the Industrial Strategy Challenge Fund.
- 1.3. Some recent highlights include:
 - Compound Semiconductor Applications Catapult secured in Newport. This will ultimately draw down £56m of Innovate UK funding with the potential to win more from competitive calls.
 - Swansea University won funding to host one of six Innovation and Knowledge Centres (IKC).
 - Welsh Government ran three Launchpads for Medtech, Photonics and Cyber security companies.
 - Welsh Government has led on the Small Business Research Initiative (SBRI) with co-funding of £2.8m from Innovate UK and a number of Welsh submissions currently awaiting decisions on support.
- 1.4. Examples of Welsh companies successfully accessing Innovate UK funding include:
 - Riversimple, based in Llandrindod Wells, aims to eliminate the environmental impact of personal transport by developing hydrogen fuel cell powered cars. Innovate UK supported research into carbon-fibre braiding where the Welsh company collaborated with the University of Manchester.
 - ReNeuron, based in Bridgend, is collaborating with the UK Cell and Gene Therapy Catapult and academia to scale-up manufacturing, process technology, and quality by design expertise.
 - Jellagen, based in Cardiff is the first commercial manufacturing plant for the sustainable extraction of high-purity collagen from jellyfish off the west coast of Wales to provide effective biomaterial for cell culture, wound care and regeneration.

- SPECIFIC, based in Baglan, is turning the innovative 'buildings as power stations' concept into a practical reality. SPECIFIC received £20m initial investment as an IKC for functional industrial coatings, followed by phase 2 funding of £26m. Most recently, it secured £800k funding to build the Active Office prototype.

1.5. Wales has also been successful in the GovTech award competitions with Welsh organisations securing £2.5m (40%) of first call budget for digital projects.

2. The Industrial Strategy Challenge Fund (ISCF)

2.1. The ISCF provides funding and support to UK businesses and researchers. The fund is part of the UK Government's £4.7bn increase in research and development over 4 years; of which over £2bn is allocated to largely business-led R&D.

2.2. The Welsh Government has been working to raise awareness of the opportunities offered by the ISCF, since many aspects align with WG's Economic Action Plan, especially the Calls to Action.

Wave One

2.3. The UK Government identified six challenges and earmarked £1bn of funding for the first wave of challenges. Early competitions have already been held and the first wave of funding is being allocated.

2.4. Welsh based businesses and research organisations have won around £8m of wave one funding to date, with further funding to be allocated.

2.5. Examples of successful Welsh bids so far include:

- The Advanced Therapy Treatment Centre – a Wales Blood Service project in conjunction with Birmingham Health board where £1.6m was awarded to Welsh partners. Welsh companies have also been partnering other consortia, securing an additional £0.5m. This will play a key part in the translation of ground-breaking therapies. The consortium includes Cardiff-based business, Trakcel, which is developing scheduling/ tracking software for advanced therapies.
- Hexigone Inhibitors (Swansea), to develop an environmentally responsive self healing coating.
- Picofluidics Ltd (Cardiff) for surface engineering and coating of polymer templates.
- Medaphor (Cardiff) for virtual reality aids for ultrasound-guided needling.

2.6. Future projects include discussions around the Faraday challenge on batteries of the future and opportunities around proposed Ebbw Vale projects.

Wave Two

2.7. The UK Government has announced a further £725m of funding for wave two, which will run in 2018 and 2019.

2.8. Competitions are currently underway for ISCF Wave two, but no announcements of awards have yet been officially made.

2.9. The Welsh Government has been working with stakeholders to raise awareness of the opportunities for business and academia. Examples of these activities include holding workshops in Wales for several of the eight of the new challenges: Transforming Construction, the Energy Revolution, Transforming Food Production, Next-generation Services and the Audience of the Future, as well as two new health-related challenges: Healthy Ageing and Digital Pathology, imaging and AI.

2.10. The Welsh Government has already offered support to a number of large Welsh-led bids. Whilst it is difficult to predict the outcomes of the competitions, Wales is well placed to win tens of millions of pounds of new investment in coming few months.

Wave Three

2.11. The expression of interest for the third wave of challenges closed on 18 April 2018. Several of these proposed challenges are being selected for further work by UKRI prior to a business case being submitted to HM Treasury for funding.

2.12. UK industry and research were asked to submit proposals aligned clearly with at least one of the four grand challenges. Submitted proposals were expected to be drafted collaboratively by a consortium of industry and academia or be able to provide evidence of an industry-wide requirement.

2.13. Projects from the selected wave three challenges are expected to start from April 2019 and last up to three years.

3. Sector Deals

3.1. These partnerships between government and industry help industries to overcome specific issues that they face. The partnerships will involve industry councils that meet regularly to identify issues and decide how to tackle them. The councils include industry leaders and government representatives.

- 3.2. Sector deals have been agreed in life sciences, construction, artificial intelligence and the automotive sector. Discussions are ongoing with the creative industries and industrial digitalisation sectors.
- 3.3. The Government will create an independent Industrial Strategy Council to assess progress and make recommendations to the government.

4. Strength in Places Fund (SIPF)

- 4.1. Led by UK Research and Innovation, the SIPF is a new competitive funding scheme that takes a place-based approach to research and innovation funding, to support significant regional growth. The total UK budget for this phase is £115m, although if demand is high there may be further rounds.
- 4.2. The high level aims of the Strength in Places Fund are:
 - To support innovation-led regional growth by identifying and supporting areas of R&D strengths that are driving clusters of businesses across a range of sizes that have potential to innovate, or to adopt new technologies in order that those clusters will become nationally and internationally competitive.
 - To enhance local collaborations involving research and innovation. Building on the underpinning regional economic impact role of universities, research institutes, Catapults and other R&D facilities (such as IKCs); and engaging those businesses at the forefront of delivering economic growth through innovation within the identified economic geography.
- 4.3. The Welsh Government, Universities Wales and the CBI held a joint workshop in Cardiff on the SIPF on 7th June for a range of Welsh stakeholders. Several bids are expected to come forward the workshop, include bids on Compound Semiconductors, Cyber Security, Steel and Metals, Nuclear and Life Sciences.

5. Next Steps

- 5.1. Industrial Strategy funding is still relatively recent and a significant majority of funding remains to be allocated. Although the funding mechanisms are competitive, the Welsh Government sees this as an opportunity, not a threat.
- 5.2. The Welsh Government will continue to work with the UK Government on the Industrial Strategy in a manner that is based on mutual respect for each other's responsibilities and constructive partnership where it is in the interests of Wales.
- 5.3. The Welsh Government will continue promoting the calls and opportunities to the Welsh audience and support strategic bids where Wales has an edge and there is alignment with WG objectives.