

Agenda Item No.



## Investment Board

<b>Date</b>	29/01/2018
<b>Report title</b>	Consortium for the Demonstration of Intelligent Systems (CDIS)
<b>Portfolio Lead</b>	Councillor Ian Ward - Economic Growth
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<b>Report to be/has been considered by</b>	This project has been approved/endorsed by the Technical Appraisal Panel and Investment Advisory Group at Outline Business Case stage, and this report will be considered by the Leadership Group and Investment Board.

### Recommendation(s) for action or decision:

#### The Combined Authority Board is recommended to:

1. Endorse the approval for the early draw down of £250,000 funds to support the preparation of the FBC.
2. Endorse the approval for the project to move forward to Full Business Case.

## **1.0 Purpose**

- 1.1 The purpose of this report is to fulfil the Assurance Framework obligations for the Consortium for the Demonstration of Intelligent Systems (CDIS) proposal which is at Outline Business Case stage.

## **2.0 Background**

- 2.1 The Consortium for the Demonstration of Intelligent Systems (CDIS) was conceived in 2015 by the WMCA Innovation Working Group, a group formed to support Martin Reeves, as WMCA lead officer on innovation at the time, to consider appropriate innovation proposals for DevoDeal 1 and subsequently to steer their development. CDIS was a specific activity proposed in DevoDeal 1.
- 2.2 The WMCA Innovation Working Group, comprising a wide range of partners from across the innovation ecosystem in the West Midlands, has steered the development of CDIS. Birmingham Science City (BSC), which convenes this group, has led the work to develop the CDIS partnership and proposals to date, as an independent alliance of innovation organisations from the public, private and university sectors from across the West Midlands. The proposal has been approved at Strategic Outline stage, and has been approved at Outline Business Case stage by both the Technical Appraisal Panel and Investment Advisory Group.

## **3.0 Wider WMCA Implications**

- 3.1 This proposal has been developed in consultation with a wide range of innovation partners from across the WMCA geography, including Aston University, University of Birmingham, Birmingham City University, Coventry University, University of Warwick, Wolverhampton University, Innovation Birmingham, Digital Catapult, Energy Systems Catapult, Transport for West Midlands, Sustainability West Midlands, West Midlands Academic Health Science Network, Birmingham Smart City Alliance (including IBM & Amey), Digital Birmingham, Innovate UK, BEIS local, GBS LEP, Black Country LEP, C&W LEP, West Midlands Growth Company and others.
- 3.2 CDIS is expected to impact positively on the Productivity and Public Service Reform objectives of the WMCA SEP, as below.
- 3.3 CDIS has the potential to impact positively on a wide range of WMCA priorities, including Digital, Housing, Transport and Skills.

## **4.0 Progress, options, discussion, etc.**

- 4.1 The aim of the Consortium for the Demonstration of Intelligent Systems (CDIS) is to bring together regional expertise to develop and apply intelligent/ smart systems technology and approaches to solving real and substantial challenges faced by the public and private sector. The process of developing and scaling up solutions to such challenges will lead to the creation of new products, services and applications in the West Midlands, generating competitive advantage and leading to new and growing businesses.

- 4.2 At its heart, CDIS is a progression of collaborative feasibility, pilot and demonstrator activities that will tackle barriers to exploiting intelligent systems to solve the region's challenges in mobility, health and energy, and areas where those sectors interact. A small team of CDIS brokers will facilitate the development of partnerships and activities that enable the scaling up of technologies and approaches developed in the region, by bringing together the region's existing complementary expertise to develop solutions at scale for maximum economic and public service impact.
- 4.3 CDIS supports the West Midlands Strategic Economic Plan, and is mentioned specifically in that document, as well as the ambitions stated in the Mayor's 'renewal Plan'. The feasibility, pilot and demonstrator activities supported through CDIS will be selected to impact both public sector reform agenda and to improve productivity, by opening up new market opportunities for innovative, high value products and improved processes.
- 4.4 CDIS also provides a good fit with regional strengths and priorities as identified in the recent West Midlands Science and Innovation Audit (WM SIA), and was used as a case study of potential good practice in that report. The initial focus of CDIS will be the Mobility, Health and Energy sectors, which match several of the identified market strengths and key enabling competencies identified in the WM SIA including digital and data, and integrated systems, both essential components of intelligent systems.
- 4.5 There is a significant amount of exciting entrepreneurial innovation activity already ongoing in isolated pockets across the West Midlands. CDIS will join up these pockets of good practice and support the scaling up of effective innovative products and services from regional companies. CDIS will also connect up and build on the region's innovation excellence, building on existing strengths, expertise and activities in businesses, universities, science and technology parks, NHS Trusts, Local Authorities, Catapult Centres and other business focussed research organisations (local and further afield); each able to bring different strengths, approaches and relationships to collaborative projects.
- 4.6 CDIS represents a well-structured, measured, portfolio approach to challenge-led innovation and as such is an optimum intervention for WMCA in response to the WM Science and Innovation Audit and support of the delivery of the Strategic Economic Plan. Innovation is a cross cutting theme of the WMCA SEP, which states that 'a relentless focus on innovation is key to achieving productivity and public service reform objectives'.

## **5.0 Financial implications**

- 5.1 The Business Innovation (CDIS) project is a component of the Devolution Deal One Investment Programme with an overall value assigned to it of £50m which is fully funded by WMCA. This report requests endorsement allowing the project to draw down £250,000 revenue over up to 12 months in accordance with the agreed grant reimbursement process.
- 5.2 At the Technical Appraisal Panel stage which considered the CDIS OBC (6 September 2017), it was recommended that adequate funding be provided to resource the FBC for CDIS. Advice has been taken from WMCA and LEP colleagues in quantifying the necessary financial requirement which has informed the recommendation within this report.

5.3 The financial requirement of £250,000 was approved by the Investment Advisory Group on 6 November 2017 and will facilitate the following deliverables:

5.3.1 Consultancy support of up to £150,000 to:

- Provide further economic evidence – demonstrating that there is evidence to support assertions on the economic value of innovation projects, and make an assessment on the appropriate size for the project in financial terms.
- Ensure an appropriate governance process is in place, including the selection body and process for feasibility, pilot and demonstrator projects to be funded via CDIS.
- Provide Legal support across a number of issues including Intellectual Property Rights, State Aid, Procurement and legal structures between project partners.
- Provide clarification on a number of current uncertainties including rationalisation of the prioritisation model, expected failure rate and demand stimulation strategy.

5.3.2 An interim Project Manager/Director with some administrative support will also be sought (up to £100,000), to build towards 'go live', fostering partnership and project ideas, building governance structures and preparing for recruitment of the small team of brokers

5.4 It is anticipated that the CDIS FBC will be brought forward by the three WM LEPs and the wider partnership, and that the FBC will have been approved by its Board and other appropriate bodies within its governance structure before submission to WMCA.

## **6 Legal implications**

6.1 The legal implications of the CDIS proposal are not expected to be substantial. However appropriate advice and guidance will be sought as part of the development of the Full Business Case, for which the early draw down of funding is requested

## **7 Equalities implications**

7.1 No equality impact is envisaged in relation to this report.

## **8 Other implications**

8.1 There are no other implications.

## **9 Schedule of background papers**

9.1 There are no background papers

## 10 PMO Assurance

### Assurance activities completed

Technical Panel	Appraisal	06/09/17 – TAP endorsed OBC. Assurance activities completed prior to issue to IAG
Investment Group	Advisory	06/11/17 – IAG endorsed OBC to proceed to next stage
WMCA Team	Leadership	13/12/17 – WMCA Leadership Team approved OBC to progress to Investment Board