

Investment Board

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| Date | 20 January 2020 |
| Report title | West Midlands Innovation Programme – Phase 1 |
| Portfolio Lead | Cllr Ian Brookfield, City of Wolverhampton Council |
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| Report has been considered by | This programme was considered by the Investment Board (24 th June 2019) and was approved, subject to review by Investment Board before 10% of funds were spent. This review paper has been considered by the West Midlands Innovation Board, LIS Implementation Group, SED Board and the Senior Leadership Team. |

Recommendation(s) for action or decision:

The Investment Board is recommended to:

1. Confirm the approval of £2.96m funding for the first three years of the West Midlands Innovation Programme (WMIP) operational costs (Phase 1).
2. Approve the additional detail on the anticipated outputs/ outcomes, structure and planned activity of WMIP Phase 1.
3. Note progress made in the planning and preparation phase since Investment Board Approval on 24th June 2019 in establishing the structure and initiating delivery of WMIP Phase 1.

1. Purpose

- 1.1 This report requests the confirmation of approval of £2.96m for operational innovation support and ecosystem development for the West Midlands Innovation Programme (WMIP) for its first three years (Phase 1), in the light of the additional information provided on structure, activities and outputs/ outcomes, and the progress towards delivery so far. Less than £200k of costs have been incurred since approval on 24 June 2019, well within the 10% limit of spend before coming back to the Investment Board for Review.
- 1.2 WMCA has an aspiration to ultimately deliver and/ or lever c.£36m of support (Phase 2) to new West Midlands innovation proposals over the eventual five-year life of the programme, subject to funding availability, which this initial investment will enable.

2. Context

- 2.1 On 24th June 2019 a paper was presented to the Investment Board on the West Midlands Innovation Programme Phase 1. They resolved (extract from minutes):
1. That the £2.96 million of funding for the first three years of the West Midlands Innovation Programme operational costs be approved subject to a formal review after 10% of the funding had been used;
 2. That the proposed process for future funding drawdown, as detailed in the report be approved in principle but that it be noted that the source of such funding had yet to be identified;
 3. That the aspiration to deliver ultimately circa £36 million of support to new innovation proposals over the five-year life of the programme be noted.
- 2.2 In the period since 24th June, there has been considerable activity to move to delivery of the Local Industrial Strategy, led by the WMCA Economy and Strategy Team, the LEPs and wide-ranging other stakeholders. The Innovation Alliance WM (supported by WMIP funding) has continued its work on developing WMIP, to align the plans for WMIP delivery with the emerging LIS delivery plans. This includes alignment with the Sector and Major Market Opportunity Action Plans, and with new structures emerging from these plans (eg Create Central and the emerging Life Sciences Cluster Body).
- 2.3 Appointment of a WMCA Innovation Lead in November (supported by WMIP funding) has further facilitated alignment with LIS delivery plans, with the Innovation Framework developed by the WM Innovation Board, and across wider WMCA Directorates.
- 2.4 This paper provides additional information on the WMIP Phase 1 programme structure, proposed activities and expected outputs/ outcomes, as well as setting out the progress towards delivery so far.

3. Delivery of WMIP Phase 1

- 3.1 **Aims and objectives:** The aim of the full WM Innovation Programme over 5 years (as outlined in the 24th June paper to Investment Board) remains ‘to drive up levels of demand-led business innovation across all areas of the region’ by delivering:
- A stronger, more integrated innovation support offer to business leading to more innovation active businesses and productivity gains in supported businesses
 - Targeted support to business to access more national innovation funding
 - The expertise needed to target and deliver a large scale (£30m+) phased innovation programme, accurately targeted at firms and commercial areas to focus on for future calls
 - Proactive communication of innovation opportunities.
- 3.2 **Phase 1 outputs and outcomes:** WMIP Phase 1 is in part about establishing the means of delivering Phase 2 in a way that maximises future innovation funding leverage. But Phase 1 will also begin to deliver aspects of the LIS Innovation plans with tangible outcomes and outputs, which will include:
- **£1.6m leveraged resource** from partner support for the WMIP Management/ Delivery Team and match funding (regional and national) for innovation ecosystem pilot projects. Some match funding will come from partners co-funding the virtual team posts, other match funding will be from external bids for funding linked to specific activity. In pilot projects some levered resource may be in the form of company time, or from funding bodies such as Innovate UK, Shared Prosperity Fund or other government or LEP sources.
 - **3,600+ attendances** at ‘innovation network and linkage’ sector specific and sector agnostic events and groups by private and public sector bodies

- **200 new innovation collaborations involving businesses**, through working groups and project catalysis
- **280 businesses assisted** towards developing new products and services leading to growth and productivity gains
- **75 jobs created** through development of new markets.

More detail on the delivery activity to date can be seen in Appendix 1.

- 3.2 **Governance:** It remains the intention that the WM Innovation Board will oversee WMIP (phase 1 and 2), reporting into the SED Board. WMCA has instigated a project delivery plan that will capture the planning, financial, delivery and outcome information of this project. The information will be ultimately utilised by the WMCA to track, monitor and evaluate results from the funding it has provided.

The Innovation Board and subsequently the SED Board will receive regular updates on the delivery and progress of this project.

- 3.3 **Management and delivery team:** A more detailed structure to deliver WMIP Phase 1, was requested by the Investment Board. Taking account of new bodies emerging to support delivery of the WM LIS, the components of the team and their roles are proposed below. Where an organisation is specifically named, there have been positive discussions and in principle agreement regarding the role proposed.

About half of the £2.96m funding will pay for staff to deliver WMIP phase 1, supplemented by levered partner contributions (estimated to add 25% to staff resource). There will be three parts to the WMIP Delivery Team, with proposed resources and functions as follows:

- (i) WMIP Programme Team within the WMCA to:
 - Project managing and administering WMIP.
 - Supporting the WM Innovation Board.
 - Leading the development of better foresighting and horizon scanning
 - Preparatory work for phase 2.
 - Develop LIS innovation actions not covered by WMIP (eg 'innovation talent').
- (ii) Virtual Team of sector innovation specialists; comprising sector specialists embedded in a range of organisations representing the 12 sectors and major market opportunities in the LIS, to:
 - Promote innovation and to develop the innovation-related actions in their relevant sector or major market opportunity plan.
 - Deliver challenge-led Innovation Programmes.
 - Develop themes for calls for proposals in preparation for phase 2 of WMIP.
 - Develop proposals for external innovation funding in support of innovation aspects of the LIS or sector/ major market opportunity plans.
 - Work with other sector specialists to share and seek synergies across sectors.
- (iii) Innovation Alliance Executive Team, part-funded by WMIP to:
 - Work with specific sector support organisations to build and facilitate the virtual innovation team (as above).
 - Coordinate a range of sector-agnostic 'network and linkage' and 'innovation culture' activities in line with the LIS innovation actions, with wider partners as appropriate

More detail on the breakdown of the management and delivery team can be seen in Appendix 2.

- 3.4 Identification, catalysis and contribution to delivery of pilot collaborative innovation ecosystem/ cross-sector projects. **WMIP Phase 1 ecosystem pilot projects:** The remaining half of the WMIP phase 1 £2.96m costs will be allocated to delivery of pilot innovation ecosystem/ sector agnostic

projects that can quickly start to deliver innovation actions from the LIS and may be scaled up in WMIP phase 2, and a contribution to 'network and linkage' activity such as Venturefest WM. External funding will also be levered alongside the WMCA funding which will approximately double the resource for projects and networks. Some WMIP funding has yet to be assigned depending on the business needs that are identified by the Virtual Innovation Team (above). However, in light of needs already identified in the WMIP planning and preparation phase, the following new pilot projects are explicitly proposed:

- Virtual Innovation Platform minimum viable product (MVP) development.
- Intellectual Property Office Innovation Enabler regional role-out.
- Cross-Industry Technology Exploitation in Clusters (CITEC) pilot.

4. Financial Implications

- 4.1 This specific application seeks confirmation of approval of the initial three years operational costs for WMIP Phase 1 of £2.96m, as outline above. This will be supplemented by an estimated further £1.6m of levered resource which includes external funding and partner contributions to staffing.
- 4.2 At the same time, we are requesting that Investment Board notes the ambition of WMCA to ultimately deliver c.£36m of support to new innovation proposals over 5-year life of the programme, subject to funding availability.
- 4.3 WMIP phase 1 has been designed to maximise the opportunity for external innovation funding leverage into the West Midlands in support of the LIS delivery.
- 4.4 The WM Innovation Board will oversee the programme; it has been agreed that finance representation should be present on the Innovation Board to ensure calls receive the required financial oversight during appraisal.
- 4.5 Operational costs (WMCA funds) over the 3 year period (from October 2019) are outlined as follows:

| <i>£'000</i> | Total for three years | Year 1 | Year 2 | Year 3 |
|--|------------------------------|---------------|---------------|---------------|
| Revenue costs - WMIP Programme Team | 360 | 80 | 140 | 140 |
| Revenue costs - WMIP Virtual Team | 600 | 80 | 220 | 300 |
| Revenue costs - IAWM Executive Team | 585 | 195 | 195 | 195 |
| Revenue costs - pilots, marketing, events, communications, professional fees & contingency | 1421 | 200 | 510 | 711 |
| Total WMIP Phase 1 operational costs over 3 year delivery period | 2,966 | 555 | 1,065 | 1,346 |

5. Legal Implications

- 5.1 Legal advice on the State Aid position for WMIP has been taken, and the advice has been received that WMIP comes under the General Block Exemption Regulation (GBER) (covering SMEs, innovation, risk capital and R&D etc.) which means that specific approval is not required from the European Commission.
- 5.2 When progress is made to demonstrator scale projects, the WMIP team will work with WMCA legal department to include a clause in grant agreements to allow future recovery of funds from revenue.

6. Equalities Implications

- 6.1 No equality impact is envisaged in relation to this report.

7. Inclusive Growth Implications

7.1 Increasing innovation makes a tangible and proven contribution to creating opportunities for local people. The programme is being designed to ensure it is totally open and inclusive. Increasing innovation in local business is proven to increase the number of skilled, well paid jobs, available to local people. And the development of new products and techniques in healthcare, mobility, services and creative industries (the four priority new opportunities in the Industrial Strategy) will all bring direct benefits to our communities and people.

8. Geographical Area of Report's Implications

8.1 The innovation programme will cover the 3 LEP area covered by the SEP and Local Industrial Strategy.

9. Other Implications

9.1 There are no other implications.

10. Schedule of Background Papers

None

11 Appendix 1

11.1 Since the Investment Board in June when this paper was first presented there has been some considerable work developing the West Midlands Innovation Programme plan. The innovation programme has been developed in conjunction with the West Midlands Innovation Framework and is aligned to the Local Industrial Strategy; resource for innovation support is now in place resource within the WMCA and work is well under way developing and delivering innovation support activities.

11.2 Activity to date

The following activity has taken place since June 2019 and is aligned to the five core pillars of an innovation ecosystem:

- (i) **Networks and Linkages:** supporting business networks and programmes to join up R&D assets and entrepreneurs, and help identify the opportunities for collaboration across sectors, technologies and supply chains;
 - Planning for **Venturefest WM 2020** (2 July at NEC) underway with £25k partner match pledged from the LEPs and participating Universities. Arrangements being made for WMCA to take over as accountable body from Innovation Birmingham.
 - **WM Innovation Support Forum** has been established to build on pilot to broker cross-sector, cross programme and cross-service provider support to SMEs. It has met three times. Activities have included a 'speed mapping exercise' in December and facilitation of a very successful Ecosystem marketplace and workshop delivery at Innovate UK West Midlands on 12th November at The Cube, Birmingham.
 - **Smart City Alliance** meetings were held in July and October, themed around Energy and 'Smart Opportunities for Global Growth' respectively.
 - **Innovation Policy and Practice Events** were held on 19th September event on 'How large and small companies can collaborate to innovate' hosted by EY and on 28 November on 'Innovation and the Circular Economy', hosted by Mott Macdonald – 70 attendances at the two events. An event on 'Innovation and the LIS – time for action' is being hosted by Trowers and Hamlin, with Mike Wright leading the discussion, on 30 January 2020.
 - Existing **Priority Sector Innovation Working Groups** (Low Carbon and Health) have each met twice with a total of about 50 attendances.

- (ii) **Investment Programmes:** creating new support programmes integrated with local supply chains, including crucial Tier 2 and Tier 3 firms through demonstrator projects, supporting broad and accessible investment and access to a good supply of appropriate finance products on attractive terms;
 - **IPO Enabler:** Intellectual property rights give exclusive rights to innovators improves 'the balance between the risks and reward for innovation'. It encourages investment in new technology, brands and the creative industries, and aids commercialisation by giving a 'currency to knowledge'. The IPO provides funding for IP audits across the UK, and through a pilot has partnered with Greater Birmingham and Solihull LEP to provide additional audits and confidence grants through the Innovation Enabler. A business plan is being developed and support is being sought from the three LEPs for the roll out of the IPO Enabler pilot across the region.
 - **Virtual Innovation Platform:** Work on a Virtual Innovation Platform is underway. Match funding from Aston University and GBS LEP has been sought and committed (£30k), but meanwhile stakeholder engagement work and branding have started.
 - **CITEC innovation pilot:** Support collaboration within and between supply chains to develop innovative new product and process technologies, focusing on five key Midlands industries

(Next Generation Transport, Medical Technologies, Food Processing, Energy and Low Carbon, and Sustainable Construction). A business plan is in place and discussions have been initiated with WMCA Policy and Economy leads on exploring funding for CITEC via current pre-budget discussions with central government.

- (iii) **Talent:** equipping high growth potential businesses with the skills needed to innovate, through programmes in universities, catapults and technology innovation networks;
 - Preliminary work has begun to map the current provision of innovation skills support within the region and a business plan is being developed in collaboration with the creative sector for innovation skills support from the WMCA.
- (iv) **Intelligence:** creating a foresight programme to generate new ideas and promote awareness of latest market demand from large firms and the public sector for innovative SMEs as well as technology drivers of change.
 - Jamie Elliott has been appointed to lead the **WMIP Programme Team**.
 - Discussions are underway with some sector organisations regarding the building of the **Virtual Innovation Team**, notably with Sustainability WM, the WM Academic Health Science Network and Create Central. Supporting Create Central in the development of a BFI bid with a strong innovation focus.
- (v) **Culture:** creating opportunities to showcase the impact and importance of innovation across the West Midlands' public and private sectors.
 - 'Innovation by Stealth' has started to develop a pool of good business innovation case studies that can be offered to business events/ publications to inspire others.

12 Appendix 2

Management and delivery team

- (i) WMIP Programme Team; approximately 2 FTEs employed by WMCA (funded 100% by WMIP).
 - WMCA Innovation Lead has been appointed
- (ii) Virtual Team of sector innovation specialists; By year 3 up to 5 FTEs (spread across more individuals) comprising sector specialists embedded in a range of organisations representing the 12 sectors and major market opportunities in the LIS (resourced approximately 70% by WMIP and 30% by partners).

Early discussions suggest good support for this model with the idea of embedded resource already being explored with wide-ranging sector support bodies including Sustainability WM; the Midlands Aerospace Alliance; Create Central and the emerging Life Sciences Cluster body.

- (iii) Innovation Alliance Executive Team; 3-4 FTEs (resourced approximately 70% by WMIP and 30% by partners):
 WMIP funding has allowed the extension of contracts for **IAWM Executive Team** posts – Director (0.5 FTE from WMIP), Partnerships Manager (FT), Comms Assistant (0.5FTE) and flexible consultancy support (0.3 FTE). Costs over 6 months approximately £70k.
 [NB IAWM and consultant costs associated with developing WMIP over previous 2 years will also come from £2.96 budget – total £250k budgeted]