



October 2016

## **CYBER INNOVATION CENTRES**

### **Background**

In November 2015, the Chancellor announced that the Government would establish two Cyber Innovation Centres. These will be places where innovators and cyber start-ups, from small scale CEO companies to more established SMEs, can base themselves as they strive to develop products, concepts and ideas. Both innovation centres are intended to foster an increase in the number of UK companies able to grow their business to a critical mass and compete internationally. The Chancellor also announced that one of the centres would be located in Cheltenham and Ministers have since agreed that the second centre will be based in London. Ministers have also expressed a strong desire for an interim version of the Cheltenham centre to open by the end of this calendar year.

### **Design and remit**

Both centres will be comprised of a physical space that will house an accelerator facility, access to specialist business support such as mentoring and attracting investment, and expert technical advice. The physical space will be designed to support collaboration and provide facilities such as high power computing, alongside facilities for companies to test and demonstrate their products. The centres will also help innovators focus on developing solutions to real world problems by compiling 'problem lists' of challenges faced by end users in both the private sector and in government.

Both centres will share the same design DNA while capitalising on the benefits of their location: Cheltenham and London. Both centres will be focused on early stage companies and we will put in place structures to ensure they are complementary.

Although they will be concentrated in two discrete locations, we consider both centres to be national innovation centres serving the whole of the UK and a key component in growing the cyber security ecosystem.

The Cheltenham centre will bring together GCHQ expertise and industry innovation in a way not done before, as well as focusing on immediate gaps in the UK's cyber security capability. It will also offer the potential for budding GCHQ entrepreneurs to explore their idea in a less constrained environment.

The London centre will have a broader remit to encourage and nurture start-ups, taking more risk in the ideas it selects and in some instances feeding ideas to the Cheltenham centre. The innovation centres are intended to be complementary of existing initiatives. For example, academics and innovators from the Academic Centres of Excellence and existing accelerator programmes might avail of the innovation centre facilities.

The Cheltenham centre presents a significant cultural shift for GCHQ, which will provide technical expertise to those companies housed in the Cheltenham innovation centre. To support this, GCHQ will undertake a number of activities to secure staff engagement with the centre. The Cheltenham centre will not be focused solely on GCHQ's core mission, but will complement it. Companies participating in the accelerator may, for example, be invited to collaborate on some of GCHQ's internal innovation activity. In common with the London centre, the Cheltenham innovation centre will seek to focus the power of the UK's innovators and support their efforts to create new products, companies and capabilities to address emerging cyber threats.

### **Delivering the Innovation Centres**

The management and delivery of both centres will be via third parties chosen through competitive procurement exercises. Government has already launched a competition to select a delivery partner to run the accelerator facility in the Cheltenham centre. They have also secured a temporary space in Cheltenham to house that facility, and expect the first cohort of companies to be enrolled in

November/December 2016. They will then look to establish a more permanent facility in Cheltenham in the future. Procurement of the London centre will commence over the summer, with a view to its formal opening in the second quarter of 2017.

Each centre is expected to host up to six companies, for a three-month period, in the first instance. Government do not propose taking an equity stake in any of the companies at this time, but will review its overall approach once the initial cohort has 'graduated' from the Cheltenham centre.

### **Measuring Success**

Funding for the Innovation Centres will come from the National Cyber Security Programme for its five-year duration, after which it is expected that both centres will be self-sustaining, utilising private sector investment. Various metrics will also be devised in collaboration with the respective delivery partner(s) to assess the effectiveness of the centres. These include:

- the number of successful new products created and investment attracted into these products;
- the amount of venture capital investment firms receive;
- the success of start-ups progressing to other parts of the wider ecosystem;
- and ultimately the success of companies securing new government/private sector contracts.

To inform their approach, DCMS has also commissioned a short piece of research to ascertain user needs and expectations among the start-up community, investors and businesses. The results of this research will be shared once it is complete. They have also studied cyber innovation initiatives in the USA and Israel, and established links with universities and accelerator programmes active in this area.