

Section A: Scheme Summary	
Name of Scheme:	Connecting Innovation
Location of Scheme:	Leeds City Region
PMO Scheme Code:	WYCA-EU-006
Lead Organisation:	West Yorkshire Combined Authority
Senior Responsible Officer:	Vincent McCabe – Head of Business Support
Lead Promoter Contact:	Patrick Robertson – Service Manager – (Business Support)
Combined Authority Lead/ Programme Manager:	Patrick Robertson – Service Manager – (Business Support)
Case Officer:	Paul Coy – Project Officer – Feasibility and Assurance
Applicable Funding Stream(s) – Grant or Loan:	Funding through over-programming of Access to Capital Grants – Priority 1 of the Growth Deal totalling £750,961 to match fund a bid for £2,028,886 of European Funding to support Connecting Innovation.
Growth Fund Priority Area (if applicable):	
Combined Authority approvals to date:	Access to Capital Grants – see Capital Programme update report (2.12 and 2.13) that went to Investment Committee on 11 th June 2019. SARG approved 29 th April 2019. DP1 approval
Forecasted Full Approval Date (Decision Point 5):	Complete this section after completing Section G: management case
Forecasted Completion Date (Decision Point 6):	Complete this section after completing Section G: management case
Total Scheme Cost for the preferred way forward (£):	ERDF - £2,028,886 – Full application submitted May 2019 – currently awaiting detailed feedback
WYCA Funding (£):	Access to Capital Grants element of Local Growth Fund - £750,961 (subject to CA approval at DP5)

Total other public sector investment (£):	
Total other private sector investment (£):	SME match - £1,277,925 – subject to defrayal of grants to SMEs at an average intervention rate of 45%.

Is this a standalone Project?	Yes
Is this a Programme?	Yes
Is this Project part of an agreed Programme?	No

A.1	Scheme Description
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This information will be displayed on the Combined Authority website alongside the Investment Committee and Combined Authority Committee papers. The information provided should be factual and agreed with the scheme promoter.

This section should be completed once the appraisal has been performed to ensure the most up to date and accurate information is provided. The case officer should liaise with the scheme promoter in completing sections A.1 and A.2.

Innovation (ideas) is reflected in the Industrial Strategy as one of the five ‘foundations’ that support the Government’s vision for a transformed economy. It is a particular challenge in the Leeds City Region where rates of innovation are lower than in other areas of the country Business R&D in the region is very low (proportionality 6 x lower than East and 4 x lower than South East despite slightly higher than average Higher Education Institution (HEI) spending on R&D). Low take up of Innovate UK opportunities (and other innovation support) by Leeds City Region businesses. Low interaction between HEIs and businesses (0.43 against an average of 1)

The Strategic Economic Plan (SEP) identifies headline initiatives under each of the strategic priorities. The first headline initiative under ‘Growing Businesses’ is to *“implement coordinated and wide-ranging action to radically increase innovation”*.

The SEP explains that *“innovation is critical to future growth and prosperity. This includes R&D, links to higher education institutions and a creative culture that drives better products and services”*.

Whilst Access Innovation focussed largely on encouraging collaboration with research intensive organisations (typically universities or other publically funded bodies), Connecting Innovation is proposing a broader approach to increase the innovation capacity of SMEs within the Leeds City Region. Connecting Innovation will focus more on inspiring SMEs that have a lower propensity to engage and supporting them through the complex eco-system of innovation support. The project aims to increase the take of up of all innovation support and funding including Innovate UK, Catapult Centres, Knowledge Transfer Partnerships, universities and private sector innovation and product development companies.

There are three key components of the Connecting Innovation programme:

- 1) Innovation brokerage/support
- 2) Innovation Vouchers
- 3) Targeted Innovation Fund

A.2 Business Case Summary

Strategic Case

Increasing productivity is inextricably linked to innovation. As the UK's Industrial Strategy Green Paper (2017) notes:

“Higher levels of investment in innovation correlate with faster growth and higher income levels... leads to the creation of new products and services, more effective processes and better ways of doing business. These improvements are the essence of economic growth.”

The Combined Authority's emerging innovation policy forming part of the Local Industrial Strategy aims:

- To develop and embed a culture of innovation and innovative activity in the City Region, building on significant existing capability.
- To increase innovation activity/rates (both product and process) in the City Region.
- To address the demand for a broader range of innovation support that can't be supported by the current programme. Connecting Innovation will provide a valuable specialist innovation service that flexibly supports businesses to address their innovation needs and opportunities.

Whilst Connecting Innovation has emerged as a direct result of learning from its predecessor (Access Innovation), it has also been strongly shaped by emerging work to drive innovation as part of the Leeds City Region Local Industrial Strategy and

ambitions to increase business R&D across the area. R&D spend by businesses in this part of the world is particularly low. Business engagement with Innovate UK competitions is low and interaction between businesses and Higher Education Institutions is well below average. All this is despite having nine Higher Education Institutions in the area and a wealth of other innovation assets. This scheme aims to address key linkages and connections into and between the eco-system thereby assisting businesses to navigate and access the myriad of innovation support available.

As such, the scheme will directly contribute to the Government's target as set out in the Industrial Strategy of increasing R&D by 2.4%. This is a target for Leeds City Region and the support provided by this scheme will encourage and support businesses to engage in innovative activities and thereby invest more in R&D.

It also aligns strongly with Innovate UK's ambitions to drive innovation across the country and support the best business ideas wherever they come from.

Economic Case

The proposed changes reflected in Connecting Innovation application are as follows:

- Greater flexibility of the Innovation Growth Manager role to support SMEs to address their innovation challenges through access to wider innovation eco-system support and funding, and more intensive support to increase innovation capacity where required.
- Connecting Innovation businesses to develop and implement their project through the most appropriate means – not necessarily through direct funding.
- Supporting SMEs to identify the most appropriate collaboration partners.
- Signposting to the wider benefits and support available through universities e.g. Knowledge Transfer Partnerships, student placements, research council funding.
- Connecting Innovation will procure technical appraisal expertise to assess projects applying for funding through the Targeted Innovation Fund. Technical appraisal skills are required within each of the priority sectors. The appraisals will not make funding decisions but will make recommendations based on detailed technical appraisals and sector opportunity based knowledge.
- Smaller grants (projects under £25,000) would be subject to simpler procurement process (direct awards where appropriate). Greater procurement support will be available for SMEs undertaking larger projects.
- Greater prominence and importance of effective innovation messaging to engage with SMEs who do not currently consider themselves innovators. A dedicated funded communications resource will help build a narrative and

culture of innovation and ongoing engagement throughout the programme with a broader range and more diverse range of stakeholders and networks.

The proposed programme builds on these learning points and also provides a funding and delivery model that can deliver the objectives. The delivery model is such that it is not over-reliant on SMEs match funding (and therefore reducing the risk to the Combined Authority) compared to Access Innovation. Overall, the £751,000 being requested from Access to Capital Grants will bring in £1.25 million of private sector match and over £2 million of European Regional Development Fund funding and will deliver a business facing flagship innovation programme for the Leeds City Region at a time that innovation and productivity gains are crucial for the local and national economy.

Commercial Case

The 2017 business survey found that the main barriers for SMEs innovating are time (mentioned by 34% businesses) and financial constraints (32% of businesses). One in six (17%) consider expenditure in this area to be too high and similar proportions cite a lack of knowledge and expertise of the process or potential markets (each 15%)

The specific market failure that Connecting Innovation will directly address is the relatively low take up of innovation support, particularly by SMEs. The Connecting Innovation project will target SMEs that do not currently consider themselves as innovators, or who do not currently take advantage of external innovation support, and use the Innovation Growth Manager function to build their capacity, ambition and ability to access support that will help them to develop new products and processes. The Innovation Vouchers will help to incentivise this engagement and will allow SMEs to take their first steps into collaborative R&D projects. The larger Targeted Innovation Fund is positioned at more established SMEs that have robust disruptive innovation proposals that can deliver significant impacts, but that may not yet be at the scale or maturity to access larger funds through the like of Innovate UK.

Access Innovation has provided clear evidence of demand for a successor project, but one that takes with a broader review of innovation and puts greater emphasis on simplifying the innovation eco-system and creating a culture of innovation.

Access Innovation has engaged with 510 SMEs, 266 of which received one-to-one support from three Innovation Growth Managers, resulting in action plans for taking their innovation projects forward.

The 266 SMEs that have received intensive support from the Access Innovation project to date are a fraction of the SME base in the Leeds City Region (125,350). The Access Innovation project is now well established within the regional business support offer and strong partnerships exist with other organisations offering innovation services.

Financial Case

A fully costed proposal was submitted to MHCLG in an Outline Application in November 2018. This was preceded by an RfD requesting permission to submit the Outline. A further RfD was approved in May 2019 before submission of a Full Application that included revised costings.

The model itself, as outlined in D1 is a result of three years of delivery of Access Innovation, the emerging Local Industrial Strategy, and discussions with SMEs and partner organisations across the innovation eco-system.

Management Case

The Connecting Innovation team will be based within the LEP Growth Service alongside the team of 19 SME Growth Managers and two FTE Business Support Officers. The team will report on a day-to-day basis to the Combined Authority's Head of Business Support who, in turn, is accountable to the LEP Business, Innovation and Growth (BIG) Panel.

The LEP's BIG Panel will have ultimate strategic oversight for Connecting Innovation and the fulfilment of its strategic objectives. It will be supported in this by a Connecting Innovation Project Steering Group that will oversee the project at an operational level and report back progress to the BIG Panel on a quarterly basis.