

Report to: Business Economy and Innovation Committee

Date: 12th July 2022

Subject: **Innovation activity**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1. To provide an update on current activity and development on future programmes for innovation support in the region.

2. Information

Innovation activity

West Yorkshire Innovation Network

- 2.1. The West Yorkshire Innovation Network (WYIN) was established in 2020 on the back of the devolution negotiations. The network brings together the innovation support ecosystem to identify opportunities to collaborate, improve the provision of service to businesses and raise the profile of innovation and the assets we have in West Yorkshire.
- 2.2. Chaired by Mandy Ridyard, the network was formerly launched in October 2021 by the Mayor. Members include IUK, IUK Edge, KTN, a number of Catapults, Yorkshire Universities, Bradford University, Leeds University, Huddersfield University, Leeds Beckett, Leeds Trinity, WYCC, RTC North etc.

- 2.3 Current work being developed by the network includes an emerging innovation narrative/ story for the region. A draft proposal will be brought to a future meeting of the BEIC committee later in 2022.

West Yorkshire Innovation Festival

- 2.4 The West Yorkshire Innovation Festival (WYIF) was created by the West Yorkshire Innovation Network in 2021. The purpose of the festival was to bring people together to promote networking amongst the region's businesses and share best practice to provoke innovation and productivity growth. Over 40 events ran during the week of the festival, all at that time entirely virtual. The Combined Authority acted as convener for the festival but individual organisations were responsible for running their own events under the WYIF umbrella.
- 2.5 The West Yorkshire Innovation Network and the Mayor aspire to run this event annually and planning has started on a 2022 festival. This will take place on the week beginning October 3rd and will build and expand on the learning from the innovation festival that took place in 2021. This event will be focused on *Inclusive Innovation* and *Showcasing Impact*. These event priorities have stemmed from our Innovation Framework and the Mayor's priorities.
- 2.6 The working group for the WYIF 2022 has been established and events management expertise is currently being commissioned to help manage and coordinate the whole week and organise CA led events. Committee members are invited to get involved in the festival to help promote, shape and participate in the scheme.

Connecting Innovation

- 2.7 The current CA programme offering innovation support to existing businesses – Connecting Innovation, is progressing well and with much success to report to date, but is not without challenge. At the time of its creation and launch in April 2020, CI was fully fit for purpose, offering intensive support and guidance to businesses wanting to increase their capability and capacity to innovate, together with up to 50% match funding for projects working with research intensive organisations to date.
- 2.8 At the time of writing, CI has engaged with over 400 businesses across the region, with applications received for funds totalling £1,612,183. However the landscape of support has fundamentally changed since CI's launch, and therefore the ability to offer valued support to businesses in the innovation area has been squeezed, due to the emergence of other support programmes. Most notably but not exclusively, that of Innovate UK's 'Edge' programme, which in places duplicates the CI offer.

Future programmes

Regional Innovation Programme proposal

- 2.9 The Combined Authority is currently working with partners to develop its investment priorities for future delivery. Item 8 at this committee sets out the list of indicative investment priorities as discussed and agreed at a workshop following the last committee meeting in March. This list includes a regional innovation programme as a short-term priority.
- 2.10 This programme will aim to support businesses to innovate in the region. We propose that we build on the learnings from the Connecting Innovation programme. Funded by ERDF, Connecting Innovation is the LEP/CAs current innovation offer, due to close in June 2023. As the interim evaluation of Connecting Innovation sets out, since the programme was established the innovation support landscape has shifted significantly. Our new approach will be innovative and focus on what is proven to work from the previous programme.
- 2.11 Many businesses in West Yorkshire require that capacity building support with the ability to de-risk their financial investment before moving onto accessing larger amounts of financial and non-financial sector specific; supply chain; new market development opportunities and support, such as those on offer from IUK and the IUK family (Eg Innovate UK Edge grants to work with RO and catapults).
- 2.12 This proposal for a new regional programme seeks to address this through the creation of a new streamlined innovation offer focused around diagnostics, signposting and funding incentives to drive up industry engagement with innovation capability and expertise.
- 2.13 The previous scheme of Connecting Innovation has been proven to add distinct value in the provision of **grant funding and signposting** (rather than advice to businesses) and appeals to both micro and smaller size enterprises on the SME spectrum due to the differing levels of grants on offer, dependant on the maturity of the innovation development.
- 2.14 The new Innovation programme would provide:
- **A diagnostic and signposting service for businesses** to enable access into appropriate provision across West Yorkshire (for both Combined Authority Provision and wider provision). Through this diagnostic, the team will support businesses to engage with the correct support across the landscape.
 - **Innovation finance** to encourage, incentivise and stimulate innovation in all businesses across West Yorkshire. This will be focused on smaller businesses as a means of them taking the first step into innovation. Higher value grants could be available to businesses in the health innovation or net zero innovation space to prioritise and target activity to these sectors.
 - **Vouchers for businesses** to buy in appropriate support and expertise from a range of research and support organisations including (but not limited to) Higher Education Institutions, consultancy firms, technology development experts.

- **A dedicated Comms and marketing resource and digital platform** (included as part of Business West Yorkshire). This will help businesses access the right innovation support and navigate the hugely fragmented landscape.
- 2.15 The Combined Authority team will also manage stakeholder relations with the ecosystem through the West Yorkshire Innovation Network and manage other regionally commissioned programmes such as the Mayors Innovation Prize which is currently out to tender.

Regional Seedcorn Fund

- 2.16 A further area of proposed investment in a regional seedcorn fund. The lack of early-stage finance across West Yorkshire continues to reduce opportunities for innovative founders to commercialise, grow and scale. Seedcorn or pre-seed finance refers to the earliest equity funding round, typically between 50k-250k. This is used to validate the idea, evidence market need, establish Intellectual Property and develop a scalable commercial model. For many start-ups this is the only way to move innovative ideas forward. This is also a key milestone to de-risk the proposition for follow on investors; Venture Capitalists and other institutional investors who expect a well-defined business case even at 'Seed' stage, which is the first official fundraising round between £250k-5m.
- 2.17 The data shows that seed investment in the region are well below the UK average and a fraction of the seed investment in London and the Golden Triangle. This imbalance is featured in NESTA's report [The Missing £4bn](#) highlighting the low rates of R&D funding that is accessed across Yorkshire.
- 2.18 Intervention options are currently being assessed in consultation with the market, equity organisations and entrepreneurs who are facing or who have been through some of the challenges described above. Acknowledging that an 'equity' approach is not always favoured by a founder, we are also exploring 'loan' and 'convertible loan' options alongside co-investment funds.
- 2.19 A co-investment model would be designed to stimulate and share the risk with private investors, increase the pool of local investors as well as return the initial investment with profits to create the next fund. There is also opportunities to focus the scheme around sectors, clusters or even challenges i.e. Net Zero, depending on how the investment thesis is structured to align to regional objectives and values.
- 2.20 This programme is in early development and any feedback from the committee would be welcome, as well as any members who are keen to get involved in the development of this proposal.

3. Tackling the Climate Emergency Implications

- 3.1. All businesses will need to innovate to reduce their overall carbon impact and help achieve the region's net zero ambitions. The proposals being developed in this paper will provide an opportunity to support a number of innovations to help address the climate emergency through this programme. This includes the development of large grants focused around net zero opportunities.

4. Inclusive Growth Implications

- 4.1. Any new programmes to support innovation will include targets to ensure geographical representation across the region and within some of our most deprived communities. The WYIF, with a focus on inclusive innovation, will work with local authority partners to ensure reach and representation across these communities.

5. Equality and Diversity Implications

- 5.1. Equality and diversity will be at the heart of our new approach. Innovation is about ideas and a diverse regional population of entrepreneurs and businesses owners will help promote new ideas through the cognitive diversity it will bring.
- 5.2. Our Innovation Festival will try to reach a diverse audience and provide a diverse range of representation of speakers and participants at all events.
- 5.3. As for the Enterprise West Yorkshire Programme, all new innovation programme will have clear targets around engagement with diverse businesses. All programmes will build in a solid evaluation framework to allow us to evaluate and replicate what works to promote diversity in the business sector and innovation.

6. Financial Implications

- 6.1. There are no financial implications directly arising from this report.

7. Legal Implications

- 7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

- 8.1. There are no staffing implications directly arising from this report.

9. External Consultees

- 9.1. Discussions have taken place with District Partners, Yorkshire Universities and the West Yorkshire Innovation Network.

10. Recommendations

- 10.1. That the Committee notes the activity currently underway

10.2. That the Committee comments on and endorses for further development the proposals for a regional innovation programme and seedcorn fund.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None.