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**Report to:** Business Innovation and Growth Panel

**Date:** 27 November 2018

**Subject:** **Innovation support programmes**

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## 1 Purpose of this report

- 1.1 To provide the BIG Panel with an update on the Access Innovation programme.
- 1.2 To seek guidance and input from the BIG Panel on the design and development of a successor programme, with a view to submitting an outline business case to the European Regional Development Fund.

## 2 Information

### Access Innovation

- 2.1 Access Innovation is being delivered across the City Region with funding from the European Regional Development Fund (ERDF) and the Local Growth Fund. Its primary objective is to help SMEs to become more productive and competitive through the development of new products, processes and services. The programme links SMEs directly to specialist expertise and facilities within research intensive organisations, such as universities, Catapult Centres and some private sector specialists. It provides advice to businesses on which organisations can support them with their innovation activities, and also grants of between £5,000 and £100,000 towards the cost of working with the relevant expert organisations.
- 2.2 To date, the programme has engaged with 457 SMEs, 235 of which have received one-to-one support from the three Innovation Growth Managers, resulting in detailed action plans for taking their innovation projects forward. 32 applications for grants have been approved to date with a collective value of £1,442,402. A further 23 applications totalling £445,309 have been received and are currently being appraised. A number of other applications of varying sizes are currently being developed with support from the Innovation Growth Managers.

- 2.3 The highest number of enquiries and approved applications to date are from the healthcare and life sciences, manufacturing and digital sectors. The programme team continue to build strong working links with organisations in these sectors, including the Innovate UK, Knowledge Transfer Network, local Manufacturing Alliances, National Physical Laboratory, Digital Health Enterprise Zone, Digital Catapult, Centre for Process Innovation, Advanced Manufacturing Research Centre, Translate, the Yorkshire & Humber Academic Health Science Network and universities within and outside the City Region.
- 2.4 Referrals into the programme have recently increased from a number of sources, particularly the City Region's universities, other LEP business support products and through attending a number of local and regional conferences and networking events.
- 2.5 As part of the Access Innovation programme, the Combined Authority recently undertook a procurement exercise to appoint an organisation to support SMEs to increase their innovation capacity. RTC North was awarded the contract and commenced its delivery of specialist workshops and advice sessions in November 2018. This will run until July 2019 and will provide the programme with a stronger pipeline of innovation-ready SMEs to take advantage of the funding element of the programme.
- 2.6 The draft interim evaluation of the programme has provided the following headline findings that will help to inform the design of a successor programme:-
- Access Innovation is successfully supporting a significant number of SMEs in the City Region to undertake innovation projects leading directly to the development of new products and processes. Consequently, this is delivering positive economic impact for the City Region, leading to more sustainable and productive businesses.
  - Furthermore, the programme is directly facilitating strong and mutually-beneficial working relationships between SMEs and the knowledge base, particularly Universities, which can deliver lasting positive economic impacts and a more business-focussed innovation support sector. It is having a particularly positive impact within the Healthcare Technologies and Creative and Digital sectors, which is clearly positive when considering their strategic importance to the City Region.
  - The scale of the programme's take-up to date is relatively modest when considering the size of the SME stock in the City Region. To this end, Access Innovation is regarded as a precise product with a relatively limited market i.e. those businesses already aware of the need for external innovation expertise and of the importance of collaborative-working.
  - To date, the programme has been most popular with businesses already working with research institutions (or with prior experience of collaborative

research), and has had less impact on engaging SMEs with less current appreciation of the potential business benefits of collaborative research.

- Whilst Access Innovation addresses some of the key barriers to innovation activity within SMEs (e.g. access to funding and to expertise), there remains some evidence of the need to stimulate more appetite amongst SMEs for R&D investment and to help build their capacity to undertake innovation activity.
- Several consultees highlighted lack of awareness of the City Region's wider innovation support offer as a barrier to collaboration. Therefore, improving information and stimulating demand were identified as important requirements for any innovation activity.
- It was noted by several consultees that there is a shortage of lower-value grants for collaborative R&D to de-risk projects, or, to provide an opportunity to test new relationships without incurring significant financial risk.
- The findings suggest that more market-building activity is required across the City Region to increase the flow of businesses looking for R&D funding and support, and to further embed a culture of innovation.

#### A future programme

- 2.7 In response to the above evaluation and the experience to date of delivering Access Innovation, a revised successor programme is in the early stages of development to commence delivery on completion of Access Innovation in December 2019. The working title for this is 'Connecting Innovation', to signify the importance of connecting ideas between partners, and connecting ideas with funding.
- 2.8 Connecting Innovation would provide access to all innovation-related business support in Leeds City Region (and beyond), with the Innovation Growth Managers focussing more on supporting SMEs to develop their innovation capacity and capabilities, as opposed to just working on the funding applications and subsequent projects. This would still include support to apply for funding (whether internal or external, e.g. Innovate UK competitions), but would also focus more on signposting to funding and other dedicated support (e.g. Innovate2Succeed), making connections into Universities, Knowledge Transfer Partnerships and Catapult Centres. It would also build on the innovation-awareness programme currently being delivered by RTC North on Access Innovation to assist businesses to keep abreast of the latest innovation topics and support, and contribute to building the City Region's innovation culture.
- 2.9 It is proposed, therefore that the Innovation Growth Managers would require a more detailed, forensic, knowledge of the local and national innovation landscape and connections, and would also need to continue to build strong relationships with all the relevant organisations within and outside the City Region.

- 2.10 There would remain a grant/voucher element to the programme to incentivise collaboration and further SME investment in R&D, but this would be at a lower level than on the current programme, and would be used to support a broader range of innovation activities. This could include collaboration between businesses, as well as between businesses and research/testing organisations, and may also include other internal costs related to innovation activities, such as salaries, training and capital investment. A fund to support a small number of high-impact innovation projects with larger grants could also be included, but these would need to demonstrate transformational change for those SMEs involved and would likely have a supply chain focus.
- 2.11 In summary, it is proposed that the new programme broadens the scope of the current one to help firms understand and navigate the innovation support ecosystem, whilst focussing more on business-to-business collaboration and on building the innovation appetite and capability of more SMEs across the City Region. Marketing and communications would need to be a key part of the programme, both in terms of promoting the City Region's innovation assets and expertise to its SME base, but also by showcasing the large number of SMEs already undertaking significant innovation investment across all sectors. This will link to the Combined Authority/LEP's emerging Business Heroes initiative.

### **3 Financial Implications**

- 3.1 There is an opportunity to bid into the European Regional Development Fund (ERDF) to deliver the new innovation support programme, Connecting Innovation. It is estimated that circa £1m of public sector match-funding would be required to successfully deliver the programme. Discussions are underway within the Combined Authority as part of the business planning process to identify the potential sources of this match-funding, recognising the challenges related to this in the current fiscal climate.

### **4 Legal Implications**

- 4.1 There are no legal implications at this stage.

### **5 Staffing Implications**

- 5.1 Depending on the final scale and scope of the proposed successor programme, there will be staffing implications for the Combined Authority.

### **6 External Consultees**

- 6.1 Engagement has taken place with Innovate UK and with the City Region's Universities, including through Yorkshire Universities. Further engagement will take place to inform the design and development of the full business case.
- 6.2 The recent independent evaluation of the current Access Innovation programme involved consultation with a number of businesses and other key stakeholders, and this will be used to shape and inform the new programme.

## **7      Recommendations**

- 7.1    That the BIG Panel notes progress to date on Access Innovation.
- 7.2    That the BIG Panel provides guidance and input on the design and development of a successor programme to Access Innovation.
- 7.3    That the BIG Panel provide feedback on the working title ‘Connecting Innovation’ or suggest alternatives.

## **8      Background Documents**

None.

## **9      Appendices**

None