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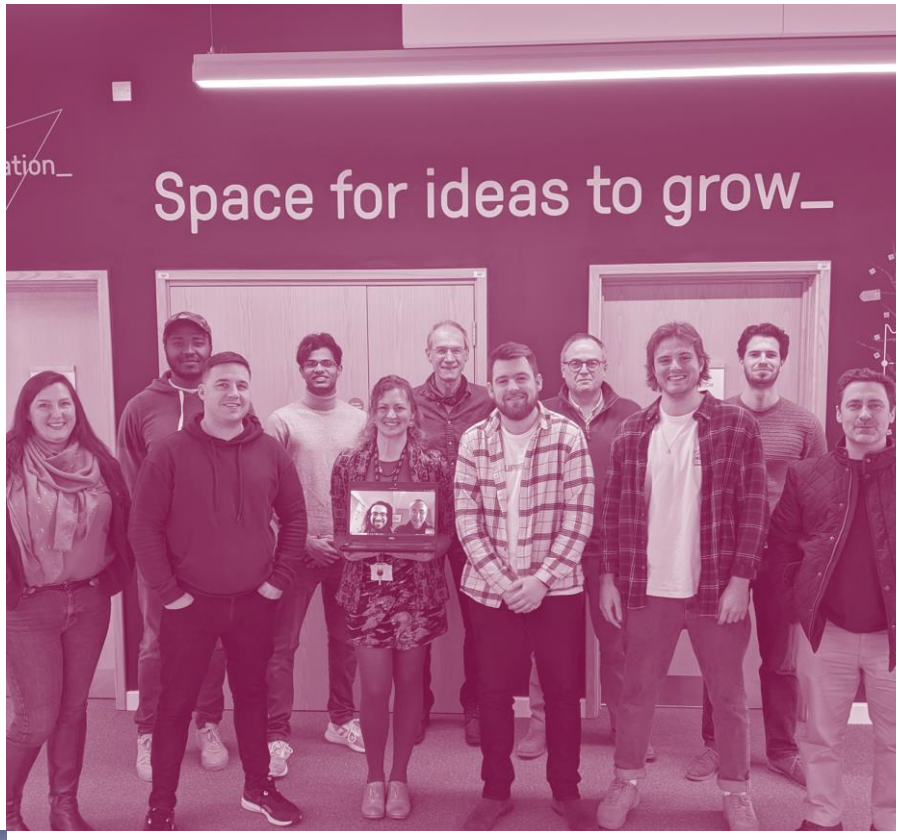

DI4G Final Evaluation Report

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Contact

ERS
48 Corn Street
Bristol
BS1 1HQ

T: 0117 927 3401

E: bristol@ers.org.uk

Authors

Authors:
Amy Hale
Ashley Philp
Josh Parsons

Partners

UWE Bristol University of the West of England

European Union
European Regional Development Fund

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Quality assurance

Stef Anderson
Senior Consultant

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Executive summary

Introduction

ERS was commissioned in October 2020 to undertake a Summative Assessment of the DI4G programme on behalf of the University of the West of England. Launched in January 2020, DI4G is a three-year programme funded by the European Regional Development Fund (ERDF), which enables SMEs in the West of England to develop and grow their businesses through digital innovation and commercialisation of products. The programme is delivered by the University of the West of England programme team. To inform the evaluation, ERS undertook six telephone and video consultations with key members of the programme management and delivery team. An e-survey, developed by ERS, was disseminated to a total of 97 SMEs. Of these, 45 SMEs completed the survey. Together with the evidence captured via interviews, the survey data, and internal monitoring data was later analysed.

Relevancy and consistency

DI4G aims to support digital sector SMEs in the West of England to develop, innovate and grow their businesses, carry out R&D through to commercialisation, and adopt new processes to support trade. The rationale for DI4G is founded on addressing barriers to innovation affecting SMEs, particularly around the lack of specialist knowledge and access to sufficient resources needed to carry out R&D effectively or progress their products into market.

The demand for the programme is clear, and there are ample creative freelance workers and early-stage SMEs in the region with high growth potential. DI4G was designed to plug gaps in existing support and overcome barriers for businesses to grow and innovate by offering a number of strands: a grants scheme to invest in R&D; the Launch Space business incubator; hackathons; and bid writing and innovation workshops. Despite delivering the programme in a challenging climate arising from the pandemic, the programme team's flexible approach worked efficiently to identify and engage suitable SMEs for each strand within the programme.

Progress

Despite beginning delivery just before the COVID-19 pandemic, overall, the programme has managed to ensure that spend has stayed in line with contracted spend. At the end of programme delivery (Q2 2023) only a relatively small cumulative underspend of £47,436 is forecasted.

The DI4G team has achieved 100 per cent of the contracted target up to Q1 2023 for the number of enterprises receiving support (C1), the number of enterprises receiving grants (C2), and the employment increase in supported enterprises (C8). They have excelled in the achievement of the number of enterprises receiving non-financial support reaching 112 per cent of the contracted target (C4), and the number of new enterprises supported (C5), reaching 110 per cent of target. These are impressive results given the difficulties posed by the pandemic.

Contracted targets for C6 were narrowly missed (number of new enterprises supported and private investment matching public support to enterprises), achieving 91 and 95 per cent respectively. Progress has been slower against innovation targets, C28 and C29 (number of enterprises supported to introduce new to the market products, and number of enterprises supported to introduce new to the firm products), since the pandemic demanded a change in priorities for many businesses, shifting away from innovation towards a focus on survival.

Delivery and management

Programme team consultees reported on the success of the programme in terms of management, communication and governance. Monitoring and reporting systems were largely viewed as running smoothly, with processes described as efficient, streamlined, and rigorous. The programme team has also worked hard to engage the right businesses. The marketing strategies and offering in-depth advice to businesses from the first point of contact ensured that that the most suitable businesses were supported to apply for the various programme strands.

This positivity was reflected in the experiences of businesses. Most beneficiary survey respondents praised the team for their management and communication, in-depth knowledge and helpfulness in supporting them with their projects and in developing their businesses. At the individual strand level, there was also further positive feedback from survey respondents. The quality of the grants scheme and its delivery was highly praised, as were the usefulness of the topics presented in the workshops, and the fantastic opportunities provided via the Launch Space business incubator.

A few areas of delivery that could be improved upon were highlighted by the programme team. For example, they acknowledged that the hackathons did not work well and did not suit most of the businesses that this strand aimed to support. The team quickly adapted to successfully deliver bid writing and innovation workshops instead which were more widely welcomed and valued by beneficiaries. However, the microgrants offered at the end of these workshops were less successful; considered by the programme team to be too labour-intensive for them to process, and not using resource wisely. The further embedding of ERDF horizontal themes was also highlighted as an area for improvement by the programme team.

Outcomes and impacts

Responses from beneficiaries highlighted a range of positive outcomes as a result of participation in DI4G. In particular, the grants scheme proved to have significant impacts for businesses. It was especially effective in helping businesses to develop new products and services, to understand future markets for products and services, and develop their business skills and knowledge. The legacy of this investment is also significant since 100 per cent of beneficiary survey respondents agreed that the DI4G grant would support their business to grow or continue to grow in the future.

The Launch Space has benefitted businesses by developing their business skills and knowledge (89 per cent in agreement in the beneficiary survey), accessing infrastructure (88 per cent), understanding future markets for products and services (78 per cent), developing new business models (75 per cent), and creating efficiencies in processes (67 per cent).

The bid writing and innovation workshops were of benefit to early-stage businesses in particular, while 90 per cent of all beneficiary survey respondents said they felt more confident and developed skills in writing bids as a result of attending. Some beneficiaries also attributed their success in subsequent grant applications to the workshops. Approximately half of the respondents had developed ideas or come up with new ones after taking part, which is positive considering the complexities involved in innovation.

Outside of beneficiary impacts, the programme team reported that DI4G has also provided other benefits. The mentioned how the programme has benefitted the university in a number of ways, such as strengthening its reputation for delivering business support programmes, winning further funding for programme delivery, and advancing skills and expertise internally. Further, DI4G has delivered a good initial return on investment, £1.18 of GVA for every pound spent, and this return is predicted to increase after the project ends. A relatively small number of FTEs have been created as a result of the programme however, this is consistent with the micro size and early stage of many participating businesses.

Assessing value for money

The programme team has ensured value for money by adopting various processes and practices. For example, ensuring that ample guidance is issued to businesses to ensure that applications are eligible and have potential, avoiding unnecessary time spent by the team in processing weak applications. Collectively, beneficiary businesses have achieved a good turnover, resulting in a high GVA value, a proportion of which can be attributed to the programme.

The majority of beneficiaries are micro businesses and in their infancy stages, therefore it is not unexpected that employment generated a high cost per FTE. It is positive however, that our analysis demonstrates that the net gains in employment have a high degree of attribution to DI4G. The assessment also revealed above-average costs of delivering the programme per output. This can, at least in part, be attributed to the complex challenges faced by the programme team during the pandemic, both internally in the delivery of the programme and externally in its effect on the external economic landscape.

Recommendations

Funders and policymakers

- There is evidence that supporting SMEs within the digital technology sector to develop and grow their businesses through R&D, improve processes, and develop their business skills and knowledge will be significant in contributing to economic growth in the UK.
- There is clear and significant demand for supporting a diverse range of businesses in the digital technology sector, and there should be future dedicated funding provision for this in the West of England and across the UK.
- Employment outputs are less achievable when working with early-stage, micro businesses, and therefore greater refinement of funding instruments could be beneficial in providing more tailored pre-start, start-up and scale-up business support.
- Finding a way of helping business support programmes to record softer outcomes for businesses would help to reflect true successes. However, this should be balanced with creating a non-onerous process to ensure that unnecessary pressure is not placed on delivery and programme team members.

Grantee and similar programmes

- For providers that deliver multiple similar projects, governance arrangements should be carefully considered from a range of perspectives to ensure that they preserve strong lines of communication between those in leadership and management and those on the ground. Combining governance of multiple ERDF projects may offer efficiencies but this should be balanced against the risks of placing decision-making at too great a distance from delivery.
- There is potential for more strategic value creation through best practice and information sharing with other business support providers across the region and across other regions.
- Utilising well-established existing networks to recruit beneficiaries works well to achieve outputs and identify suitable businesses that can benefit. However, equal if not greater consideration should be given to how providers can create new recruitment channels where possible to encourage wide representation both geographically and in terms of EDI.

- Offering one-to-one appointments with staff who are administering business grants is strong and effective practice and should be adopted where possible by similar programmes. It increases the support and advice to businesses, optimises the value achieved from the funds while also encouraging efficiencies in application processing.
- More creative thought could be given to how future programmes could make more impactful contributions towards ERDF horizontal principles. For example, how to better encourage and support minority groups onto and within programmes.
- This report has explained that networking opportunities and support from delivery teams and experts are the main draws for businesses taking part in the Launch Space, plans should continue to have an attractive events and physical spaces to make the offer more attractive to businesses.
- Inductions for incubators should be continued as this report has shown that businesses find it useful, although perhaps more facilitated group work early on would further help businesses to form connections with their peers and delivery staff.
- Delivering workshops face to face generates better outcomes and this should be continued as much as possible, 1-2-1 follow up sessions could continue to be offered to those that need additional support following workshops, as it clearly achieved positive outcomes for businesses.
- There is a clear need for smaller business grants with less stringent eligibility criteria, although there is uncertainty as to whether smaller grants achieve meaningful outcomes. If these are to be offered again, a justification review of the resource required for the team to process these grants would help to decide if microgrants should be considered again.
- Something about the hackathon and co-design with target businesses – perhaps if target businesses had been consulted pre-design of the programme then it would've become apparent that this was not an appropriate intervention before any resource was invested.

1 Introduction

ERS was commissioned in October 2020 to undertake a Summative Assessment of the DI4G programme on behalf of University of the West of England. Launched in January 2020, DI4G is a programme that aims to support SMEs across the West of England with digital innovation. The programme provides support through a number of strands of delivery, including; business grant funding via the Digital Innovation Fund, innovation hackathons, digital innovation and bid writing workshops, microgrants, and digital incubation support at the University's dedicated Launch Space graduate incubator.

1.1 DI4G programme

The DI4G programme aims to support West of England based entrepreneurs, start-ups and SMEs in the digital technology sector to develop and grow their businesses, improve processes, and develop business skills and knowledge.

The DI4G programme ran by the University of the West of England focusses its support on businesses involved in digital health, the digital creative economy, fin-tech/legaltech, digital engineering and smart cities. The programme team at the University are responsible for ERDF project management, claims and compliance management.

Since the launch of DI4G, SMEs have been recruited to the various strands of the programme in a structured cohort format. Applicants have been processed by the programme team, with support from independent assessors external to the University in authorising grants. The programme team ran dedicated periods of marketing, recruiting, and onboarding for beneficiaries partaking in the programme.

1.1.1 Programme delivery and structure

The programme began with the first Launch Space cohort in January 2020, and all activity is due to finish by April 2023. A delivery timeline is demonstrated in the diagram overleaf. DI4G delivery is made up of a number of strands.

Digital innovation business grants

Business grants were available for SMES for innovative digital research and development projects. The grant awards offered were between £10k and £40k, to funded up to 35 per cent of the total cost of the SMEs project.

Digital innovation incubation

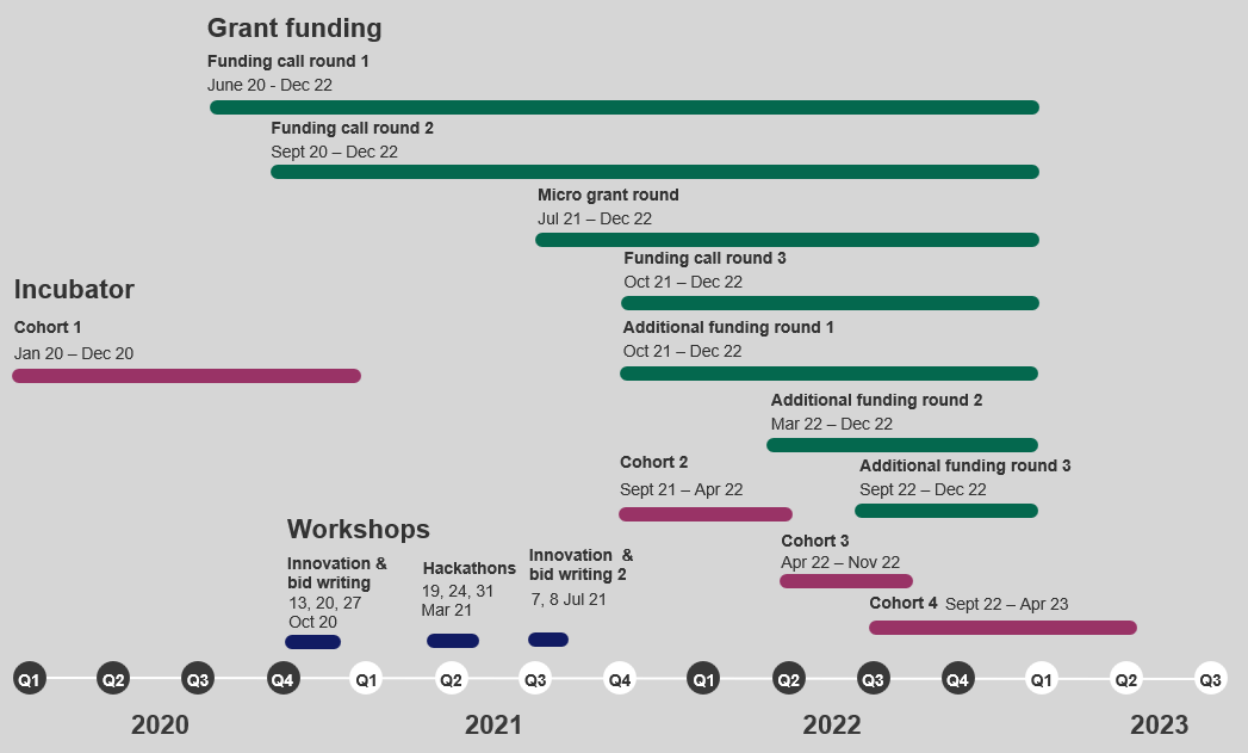
The programme provided an incubation 6 or 12 month period for early stage SMEs with pre-commercial innovative digital research and development projects. The Launch Space offered physical and digital space alongside peers and other SMEs, specialist support and development for SMEs to carry out their projects.

Hackathons

The hackathons aimed to support SMEs to present a legal problem to be solved amongst peers, academics, and experts. Businesses signed up to the hackathons were offered 12 hours of session delivery, with 1-2-1 support in between. Only one online three-part hackathon ran in the end, due to lack of demand and uptake from SMEs. The hackathons were subsequently replaced with bid writing and innovation workshops.

Bid writing and innovation workshops

Designed to support early-stage businesses to apply for funding and grants, two bid writing and innovation workshops were delivered as part of the programme. The first session ran online during the pandemic in October 2020, and the second in-person in July 2021. Some SMEs completing attendance of the in-person workshops were offered the opportunity to apply for a £2-5k microgrant to help them to facilitate a research and development project.



1.1.2 Programme evaluation

ERS was commissioned to undertake an independent evaluation in accordance with the ERDF Summative Assessment Guidance. The evaluation aims to articulate the experience of implementing the DI4G programme, the outcomes observed, and the lessons learnt. This is the final evaluation report.

A document and data review was undertaken based on information shared by the client, including:

- ERDF Funding Application.
- Logic Model.
- Monitoring Data.
- Internal Reporting.

The document and data review, alongside the inception meeting, informed the development of research tools for the primary research strands of data collection. Microsoft Teams consultations were undertaken with 6 key members of the programme management and delivery team involved in the programme. These consultations aimed to develop an understanding of the different views on how the programme is delivered, and its impact on the beneficiary businesses. In December 2022, an e-survey developed by ERS was disseminated via the UWE team to SME beneficiaries who had completed their time on the project. In total, 45 survey responses were received.

One in-depth telephone interview was undertaken to develop a case study, exploring their journey through the programme. In line with ERDF requirements, an important part of the final evaluation is to assess the economic impact of DI4G. This captures the direct, indirect, and induced employment and Gross Value Added (GVA), both achieved to date and those predicted to materialise in the future as a result of the programme. This involves a conversion of gross to net impacts, applying the concepts of ‘additionality’ (deadweight, displacement, leakage, substitution and multiplier effects). This value is then related to the investment to demonstrate the economic benefits relative to the financial costs.

2 Relevance and consistency

This chapter explores the economic and policy context, the rationale for the programme and the programme design. It is structured as follows:

- Context.
- Market failure rationale.
- Reflections on the programme design.

2.1 Context

2.1.1 Policy context

DI4G is in strong alignment with the strategic priorities of the two key stakeholder authorities, the European Structural and Innovation Funds (ESIF), and the West of England Local Enterprise Partnership (LEP).

In its EU ESIF Strategy, the West of England LEP identifies “Access to finance for small businesses and individual entrepreneurs to develop and commercialise their product service” as a key weakness of the Local Economic Area. They further go on to state “Without the financial incentive, and/or the auxiliary business skills to support their innovation, entrepreneurs and businesses simply do not innovate their products /services. Entrepreneurs and businesses go elsewhere to innovate and develop and commercialise their products /services.” Consequently, DI4G is evidently in direct alignment with the West of England LEP’s ESIF strategy by providing financial incentives, through grants, to encourage research & development to best innovate their products and services.

In the West of England LEP’s latest 2019 local industrial strategy[1], there are clear alignments between the aims and objectives of DI4G and their local industrial strategy. The first line of the local industry strategy reads “The West of England is a place where ideas flourish and businesses grow, where creative, digital and high tech meet traditional industry”. This indicates a strong desire for support in the digital sector. On a national level, this also sits under the central Government’s ambition for spend on research and development to reach 2.4 per cent of Gross Domestic Product (GDP) by 2027.

The West of England LEP additionally identifies four key priorities, two of which are:

- Fostering cross-sectoral innovation from research through to commercialisation
- Addressing the productivity challenge, including adopting new technology and management practices and supporting businesses to trade

This recognizes research and development as a key priority, especially within industry intersection where market gaps exist. Researching, developing, and adopting new technologies is also a key route to addressing productivity gaps as identified by the West of England LEP.

2.1.2 Economic Context

The West of England LEPs innovation report[1] provides background on the whole digital innovation sphere as well as key sectors within the industry. Despite clear growth enablers existing in the West of England’s digital innovation economy, including strong research facilities, large talent pools and business clusters, there remains multiple barriers to growth. Key barriers to growth identified include a lack of scaled businesses who have the available capital to invest in R&D, shortage of specialised business support and a scarcity of affordable workspace. To realise the digital innovation sectors full potential, there must be support and remedies to these key issues.

[1] Local Industrial Strategy, Evidence Base Report, Collaborative Innovation in the West of England, West of England Combined Authority, 2019

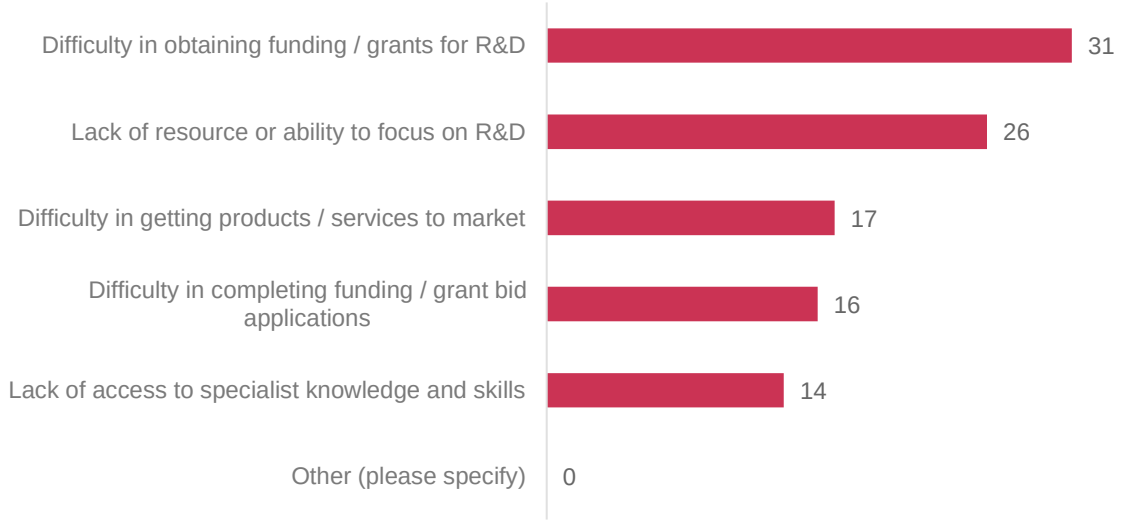
The South West's digital health sector (including West of England, Devon and Cornwall) accounts for approximately 5% of the national employment within the digital innovation sector, representing 206 business sites with a turnover of £997m. However, the South West's presence within the digital health sector is comparatively small compared with the South East, who account for almost a quarter of the UK's digital health employment and responsible for upwards of £5bn in turnover. There is vast growth potential for the sector within the South West with the majority of companies existing as early-stage SMEs with high growth ceilings due to the nature of the sector.

The UK creative industry has been the fastest growing industrial sector for the past decade. The sector's growth rate is reflected within the West of England with a 27 per cent growth rate since 2010, primarily due to the uptake of digital technologies within the creative sector. As such, creative industries in the West of England are described by Nesta as one of the top five creative clusters in the UK.

Despite the evident growth of the South West's digital creative economy, there remains huge potential for growth. 42 per cent of the South West's creative workers are freelance workers, evidencing an informal and small cluster of businesses that have vast scale up potential. The West of England LEP have also identified insufficient support for innovation and R&D in the region which will constrain growth. As such, provision of R&D support to a sector with huge scale up potential, will likely be influential in encouraging further sector growth.

To demonstrate the need for the programme, beneficiary businesses were questioned in the survey on the barriers they had faced to business innovation and growth before receiving support from DI4G. Although a considerable proportion (69 per cent) of businesses said that they had received other financial or business support from elsewhere before involvement in DI4G, businesses reported pre-existing barriers to innovation and growth, these are presented in Figure 2.1 below. Businesses were most likely to say that they found difficulty in obtaining funding or grants for R&D, or that they suffered a lack of resource or ability to focus on R&D. They also faced challenges in getting products or services to market, completing funding applications and had a lack of access to specialist knowledge and skills.

Figure 2.1: Barriers to business innovation and growth before DI4G support (n=45)



2.2 Market failure rationale

The level of investment in innovation tends to be underprovided when left to market forces. One type of market failure that causes this, and forms part of the rationale for business support, is imperfect information. Businesses may be unaware of how to access, or may undervalue, the benefits of support for growing and improving their business. Evidence suggests this is particularly true for SMEs[2], as they are less likely to engage with external information sources or have the capacity and/or knowledge to investigate support. This sets them at a disadvantage in terms of effective decision-making, whereas larger businesses may, for example, be able to employ specialists or consultants.

Moreover, innovation and research endeavours are inherently uncertain. Sometimes referred to as the 'funnel of uncertainty'[3], knowledge about an innovation is only discovered through a process: starting with an initial concept, followed by designing, testing, and finally applying an innovation. At each stage of the process, there is uncertainty of whether the innovation will work, but every stage requires an increasing number of internal resources to be committed. Therefore, smaller businesses, who already lack surplus resources, are not able to engage in this process, unless free funded support, like that provided through DI4G, can provide additional resources and guidance.

There are also positive externalities associated with innovation and research; innovation creates benefits not only for the creator but can also benefit the wider business community and society. The business which engages in innovation and research, committing their own internal resources, may develop a useful product or process that increases productivity. If other businesses find out and adopt this innovation, they can also benefit without committing their own resources, essentially exploiting the hard work of the business that took the risk initially. Unfortunately, this kind of positive externality can discourage businesses from engaging in innovation and research, hence the market provides a 'sub-optimal' level. Public investment can bridge this gap, by removing the internal resource cost and associated risk.

2.3 Programme development and reflections on design

DI4G is designed to respond to the needs of SMEs in the West of England, as detailed in the context section of this report. In addition, due to the team's experience with businesses in the region, they knew there was a need that businesses had for more help with digital solutions. The DI4G programme has a similar design to other ERDF and European Structural Investment Funds (ESIF) projects previously delivered by UWE, based on knowledge of the region and learnings from previous projects. This consists of the elements of grant funding and workshops, two elements which appeal to businesses at different stages of development, helping the programme to reach a wide pool of business types. At the time of programme development, there was no other regional R&D funding for businesses, so this funding was seen as a particularly important gap to fill. There were more funding rounds than initially planned (seven in total) due to not being able to allocate the money quickly because of the pandemic. The name for the grant funding was changed to the Digital Innovation Fund and marketed as a COVID-19 recovery fund, which is thought to have helped encourage more applications.

The workshops were designed to take the form of 'hackathons'. This was due to the success of students using these at the University for digital innovation. However, hackathons are not really designed for online delivery, due to their intensive nature, so due to the pandemic and the shift of delivery online, this element was initially delayed. In addition, the team recognised that there was not enough understanding of hackathons when this element was written into the bid, and when one was eventually delivered in March 2021 it became clear that they are perhaps not appropriate for SMEs. Hackathons are aimed at solving one problem, which meant that there is little incentive for a group of SME business owners to participate as it was not necessarily something that they could see direct benefit from.

[2] Department for Business Innovation & Skills (2014) Innovation Report 2014
[3] John Bessant and Joe Tidd, Managing Innovation, 2013.

Innovation and bid writing workshops replaced the hackathons,. This element was chosen due to the University's experience in receiving grant applications and knowing there was a need to develop SME skills in regards to this. Because there was some underspend on the project a decision was made partway through the programme to offer microgrants to those that had participated in the innovation and bid writing workshops. The aim was to help those new to bid writing and that were not confident to go for bigger pots of money or lacked the capacity to apply for more complex funds the opportunity to test their skills and receive a grant to take some initial R&D steps. It was also thought that it could act as an incentive to encourage a greater attendance at the workshops, which did seem to work. In addition, the project was to include 6-12 months' incubation to 30 graduate-led SMEs to provide in-depth support and space for businesses, helping develop a pipeline of businesses that could then access more developed incubator support.

Most of the programme team consultees reflected positively on the current programme delivery approach. This was widely regarded by those consulted as flexible, suitable for different needs, and a pragmatic solution to providing support to numerous beneficiaries requiring different support. The team have remained fluid with their delivery in a very challenging and changing context, which has ultimately allowed them to engage highly effectively with SMEs and remain successful in achieving their targets.

Summary

- There is vast growth and innovation potential for digital health and creative industries within the West of England region with many creative freelance workers, and early-stage SMEs with high growth ceilings.
- DI4G is in strong alignment with the strategic priorities of the European Structural and Innovation Funds (ESIF), and the West of England Local Enterprise Partnership (LEP).
- The programme supports businesses to develop in digital technology, to innovate and grow their businesses, carry out R&D through to commercialisation, and adopt new processes to support trade.
- SMEs are often uncertain about how to innovate or do not have the resource to engage in innovation and are unaware of how to access the right support, creating disadvantages compared with larger businesses.
- Prior to DI4G, businesses said that they struggled to gain funding, did not have the resource/ability to focus on R&D, struggled in getting products/services to market, and had a lack of access to specialist knowledge and skills.
- The UWE team designed DI4G to plug gaps in existing support and overcomes barriers for businesses to growth and innovation by offering; grants to invest in R&D, specialised business support, training and workshops, and affordable workspace.
- With funding and pastoral support and training, the programme appeals to SMEs in various stages of development.
- Due to the pandemic, the programmes grant scheme had more funding rounds than had been planned and rebranded as a ‘rescue’ fund to encourage more applications.
- Hackathons aimed at solving a legal problem were offered to businesses and were initially delayed due to the pandemic, although it was decided that there was not much interest, and the format was not appropriate for busy SMEs.
- Innovation and bid writing workshops aimed to develop SME skills and build confidence in these areas. Programme underspend was used to offer microgrants to those that had participated in the workshops, which subsequently boosted attendance and allows businesses to test their new skills.
- The Launch Space, a 12-month (later reduced to 6 months) business incubator was also offered as part of the programme, and provided more individualised support and workspaces.
- The flexible delivery approach taken by the DI4G team in a very challenging and changing context, has led to effective engagement of SMEs and achievement of targets.

3 Progress

This chapter of the report presents the performance of the programme against expenditure and output targets, as per the ERDF funding agreement. It details the reasons given for under or overperformance and the views of programme team consultees on the forecast of project progress, in light of the changes to the delivery approach.

3.1 Programme expenditure

The programme began with a slow spend due to starting shortly before the COVID-19 pandemic hit. However, programme spending balanced out when the team were able to progress with delivery. A Project Change Request (PCR) submitted partway through the programme gave a six month extension for delivery, allowing the financial and output profile of the programme to reflect the impact of COVID-19.

The programme has been successful in ensuring that programme spend has stayed in line with contracted spend. At the end of programme delivery (Q2 2023) the total actual forecasted cumulative spend of the programme is £4,221,287 and the contracted cumulative total spend is £4,268,723. This has resulted in a relatively small forecasted cumulative underspend of £47,436.

3.2 Outputs

Table 3.1 overleaf shows the programme output targets against outputs achieved until the end of Q4 2022. Across the board, DI4G has performed well in achieving their outputs, five of the eight outputs (C1, C2, C4, C5 & C8) achieved or overachieved their targets and one output (C6) came within ten per cent of target.

The five target outputs achieved include the number of enterprises receiving support, the number of enterprises receiving grants, number of new enterprises supported, number of enterprises receiving non-financial support and employment increase in supported enterprises. As the programme attracted many businesses, this would indicate that there was plenty of demand for the DI4G scheme and/or the marketing of the DI4G programme was successful. In addition, by supporting the desired number of new employees, the scheme has generated enough growth within beneficiary SMEs to sustain new employment.

Table 3.1 DI4G Programme outputs and targets achieved (Q1 2023)

Output	Lifetime target	Target to Q4 - 2022	Actual to Q4- 2022	Per cent of lifetime contracted target achieved
C1 - Number of enterprises receiving support	100	100	100	100%
C2 - Number of enterprises receiving grants	43	43	43	100%
C4 - Number of enterprises receiving non-financial support	57	57	64	112%
C5 - Number of new enterprises supported	20	20	22	110%
C6 - Private investment matching public support to enterprises (grants)	£2,334,221	£2,334,221	£2,208,321	95%
C8 - Employment increase in supported enterprises	85	76	85	100%
C28 - Number of enterprises supported to introduce new to the market products	30	22	13	43%
C29 - Number of Enterprises supported to introduce new to the firm products	46	35	21	46%

However, outputs C28 and C29 have underachieved by more than 50 per cent. Outputs C28 and C29 aim to support enterprises in introducing new to-the-market products and new to-the-firm products. These are outputs core to the objectives of the DI4G scheme. Although the DI4G programme intends to foster digital innovation which in theory will produce new products that can be delivered to market, there are a number of reasons why the programme was unable to achieve the target for these outputs.

The pandemic significantly impacted the delivery of DI4G especially in the digital innovation side of the programme, as noted in section 2.3. Firstly, at the outset of the pandemic, the focus changed from innovation to recovery to help businesses stay afloat and recover from the pandemic's economic consequences. As such, there was less focus on innovation and product delivery than anticipated. Typically there are large time lags between R&D beginning and the delivery of new products to market. The underachievement of targets in C28 and C29 could also be put down to a longer than expected time lag for projects, and in time businesses supported by the programme will deliver products to market. In fact, some businesses took two years to complete projects. Further, project timelines were extended due to additional funding granted by the programme to allow improvement to products or services before launch. As mentioned in section 2.3 above, the hackathon strand of the DI4G programme did not work for businesses, this may have also been a contributing factor in delaying the journey towards product delivery for businesses.

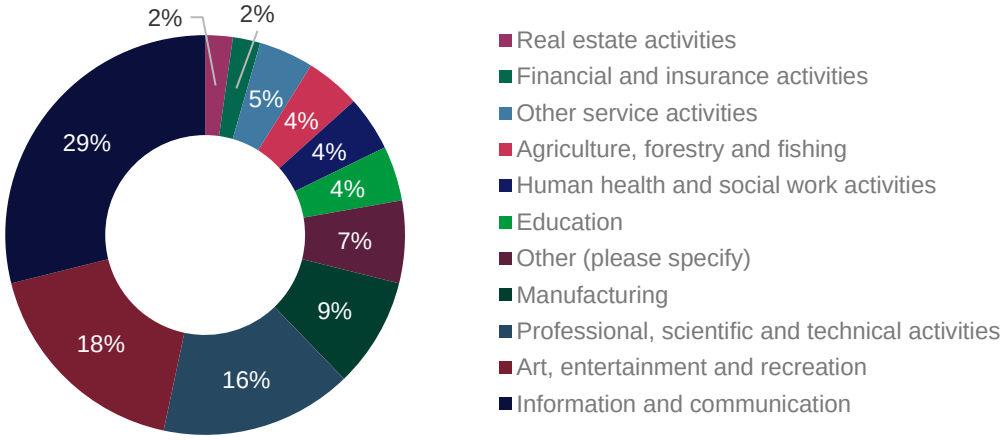
Overall, the programme has performed well. Particularly in light of external factors that have likely altered outputs C28 and C29 and given all other intended output targets have either been achieved or almost achieved.

3.3 Client profile

Figure 3.2 outlines the sectors of SME respondents to our survey. As may be expected, the most common sector is information and communication with 29 per cent of respondents identifying with this sector (n=13). The second most common sector is art, entertainment, and recreation, with 18 per cent of respondents from this sector (n=8). Other more common sectors included professional scientific and technical (16 per cent), manufacturing (nine per cent) and education (four per cent). The least common sectors are real estate and financial and insurance activities, with only two per cent of respondents identifying with this sector.

DI4G has also attracted a wide range of sectors demonstrating a broad reach of the scheme. In total, SMEs came from ten sectors, and three individual businesses have specified they work within other sectors including software, medical devices and medical simulation manufacturing. This reflects the programme's ability to cater for a wide array of business industries.

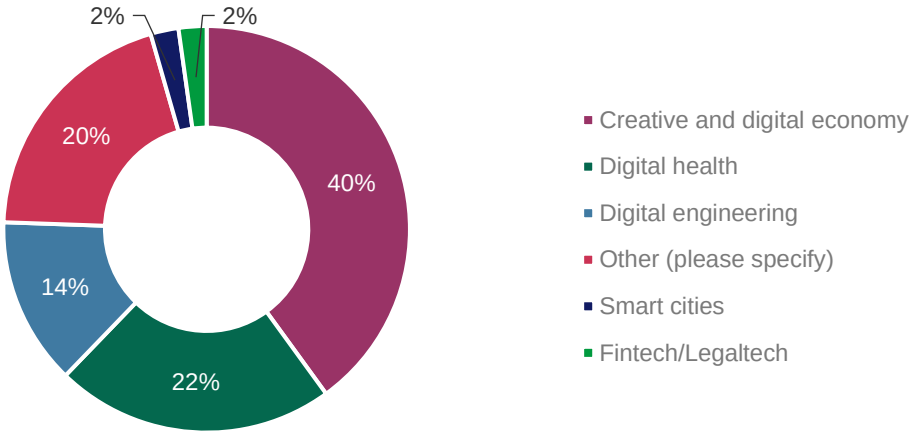
Figure 3.2: Sector of work according to DI4G beneficiary survey respondents (n=45)



3.4 Area of R&D

Figure 3.3 overleaf presents the respondent SMEs areas of R&D. Businesses carrying out R&D within the creative and digital economy dominated with 40 per cent. 22 per cent of respondents categorise their R&D activities within the digital health sphere, and 20 per cent of respondents categorise their R&D within the other category. When specified, areas include vertical farming, medtech and consumer tech, product information management, biodiversity, assistive technology, sustainability data, digital education, AI tech and educational technology. Respondents were least likely to view their area of R&D withing fintech/legaltech and smart cities categories with two per cent each.

Figure 3.3: Area of R&D according to beneficiary survey respondents (n=45)

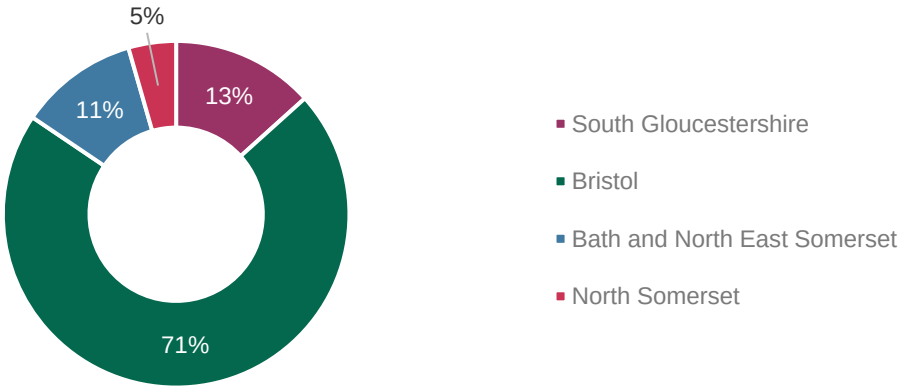


3.5 Location of beneficiary SMEs

Figure 3.4 below highlights the location of beneficiary SMEs of the DI4G scheme. There were beneficiary SMEs located in each local authority member of the West of England LEP, however the vast majority of respondent SMEs were located in Bristol (71 per cent), whilst just five per cent of respondents were located in North Somerset. Considering DI4G support became virtual early in the programme and as transport became less of an issue with easy online access to the scheme, it could be expected to see a broader array of SMEs from different locations. Along with other business support programmes ran by the University, DI4G has struggled to attract a spread across all geographical areas within the region.

Despite the communications and marketing attempts via various business networks across the whole of the West of England region (see section 4.3), including a targeted campaign on the North Somerset council website, the programme did not manage to attract a fair spread of SMEs across all four areas. Nevertheless, due to the combination of Bristol's economic strength, marketing and recruitment through existing channels, and UWE's presence in Bristol, it makes sense that the majority of businesses are located in the Bristol area.

Figure 3.4: Location of beneficiary survey respondents (n=45)



Summary

- A Project Change Request (PCR) midway through the scheme that has allowed for additional spending to deliver the programme, most of which occurred during periods of difficult business conditions due to COVID-19.
- DI4G has performed well in achieving outputs, meeting or narrowly missing most targets set. Those reached indicates the strong demand for the programme and/or a successful recruitment and marketing campaign.
- The programme struggled to meet the aims in supporting businesses in introducing new products. The pandemic impacting on DI4G delivery, business focus on survival rather than innovation, and time lags from R&D development to release to market.
- Businesses supported by DI4G are from a broad range of industries and areas of R&D, demonstrating the programmes ability to cater to differing business needs.
- Beneficiary businesses are located across the local authorities in the West of England LEP, although most reside within the Bristol area, possibly due to Bristol's economic strength, recruitment via local channels, and UWE's presence in the area.

4 Delivery and management

This section of the report reviews the delivery and management of the DI4G programme, focusing on:

- Governance, management, and internal communication.
- Monitoring and reporting.
- Marketing and recruiting beneficiaries.
- Contribution to ERDF horizontal principles.
- Grant scheme
- Launch Space
- Hackathons
- Bid writing and innovation workshops

4.1 Governance, management, and communication

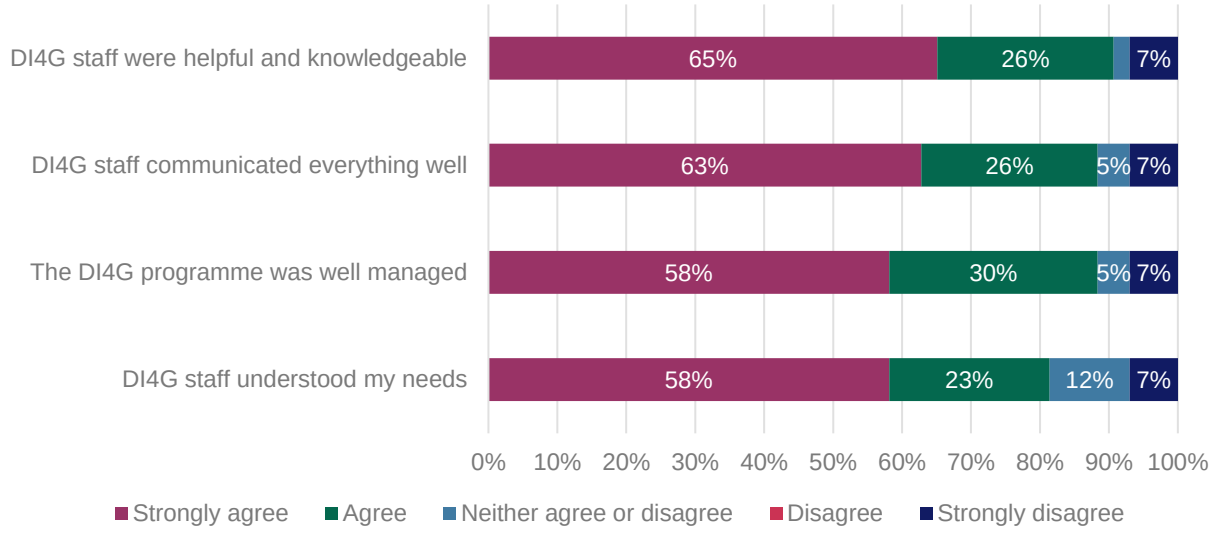
The initial set up of the programme was complicated by the onset of the COVID-19 pandemic. This created a lot of uncertainty for the team who had to quickly adapt and deliver the programme. New staff missed the opportunity to work together in-person which was not easy. The effects and impacts of the pandemic also varied considerably between client businesses which increased the complexity of programme management.

Despite these early challenges, consultees generally agreed that the project was well managed, that internal communication was effective and that there were strong relationships across the project team with well-defined roles. They also report feeling well supported. Survey responses confirm high levels of satisfaction with the delivery of the programme and the support from the programme team, as illustrated in Figure 4.1 overleaf. Most highly praised was the knowledge and helpfulness of DI4G staff, with 91 per cent of respondents either agreeing or strongly agreeing that staff possessed these qualities. This was followed closely by communication skills with 89 per cent of respondents agreeing or strongly agreeing that the DI4G staff communicated everything well. Agreement that the DI4G programme was well managed and that staff understood their needs was also high, at 88 per cent and 81 per cent respectively, providing further evidence that the DI4G team have delivered the scheme to a high standard.

Some consultees expressed frustration that decisions by senior management sometimes took longer than they thought was necessary. For example, they felt that if decisions were made more quickly, companies could have longer to spend their grant award.. Related to this, there was also some friction between a desire to deliver effectively and quickly for businesses and having to ensure governance and compliance requirements were met. However, the team worked well together to balance these competing factors.

Governance arrangements for the programme underwent some back and forth during implementation. At first, the University trialled a new approach which combined governance of all ERDF projects into a single senior team meeting with representation from compliance, finance and business development who liaised with all delivery teams to provide reports on each ERDF project. The University's portfolio of ERDF projects has grown in recent years and it was anticipated that such an approach would present efficiencies for senior managers. However, delivery staff felt isolated from key decisions under the new structure and that the absence of direct communication with senior managers increased the risk that information would be misinterpreted. Partway through the project, the decision was therefore made to revert back to the original governance projects used on previous ERDF project i.e. weekly operations meetings for delivery staff and regular board meetings with the senior team.

Figure 4.1: Quality of the delivery of DI4G according to beneficiary survey respondents (n=43)



4.2 Monitoring and reporting

All of the programme team consultees agreed that monitoring and reporting processes were effective. The team is experienced in the delivery of ERDF projects and therefore has efficient and effective monitoring and reporting processes with adaptations made based on learning from previous projects. These have included improvements to the programme risk register to include a score for risk after mitigation to better reflect the genuine overall project risk score, and the creation of a training video to provide more support for beneficiaries during the grant claiming process. There is close and continual monitoring of outputs, finance and risks to ensure the project stays on track.

However, the team has felt a little less well supported by CLG since the pandemic due to the shift from individual contract managers to generic email support, which has limited the depth of understanding of the project held by CLG grant officers.

4.3 Marketing and recruiting beneficiaries

The recruitment of beneficiaries has benefited from the existing business networks established and nurtured by UWE through previous business support programmes. Social media, including targeted campaigns, have also served as a key recruitment channel. These campaigns were regularly monitored and adjusted to improve their performance. Blogs and attendance at networking and business events were also key drivers of recruitment. As highlighted above in section 3.5, the University was able to capitalise on its presence in Bristol and connections to existing networks to recruit a significant proportion of businesses from the city. These have included publicising in the University's various newsletters, the staff intranet, via local authorities, business publications, local websites, and using mailing lists.

The team put appropriate checks in place to ensure that the most suitable beneficiaries accessed the grant scheme. Businesses were encouraged to book one-to-one appointments with the business development manager before they started an application and during the process. Bid writers on the programme team helped businesses to understand the criteria, supported them to complete their application and gave feedback to improve draft submissions. Recruitment of businesses to the workshops was more challenging which was attributed to online fatigue during the pandemic.

4.4 Contribution to ERDF horizontal principles

The programme has made clear and concerted contributions towards the ERDF horizontal principles; equality and diversity and sustainability.

The team has embedded equality and diversity into the programme by utilising existing networks to recruit beneficiaries and focusing marketing to encourage business owners from different backgrounds, whilst being proactive in adopting inclusion practices whilst supporting businesses.

Accessibility for businesses is considered by the team throughout businesses' participation. The increased provision of online support has helped to improve access for those that aren't able to or find it difficult to travel, whilst still offering in person delivery for those that prefer that format. Businesses complete an EDI questionnaire at the start of their involvement and are asked to share any specific requirements prior to events. For in person events, the structure of the sessions is communicated in advance to ensure everyone attending is clear on what to expect, according to one programme team ember this has been particularly helpful for neurodivergent attendees. Another example is that the team have ensured that any catering provided suits all dietary requirements.

The team has also made efforts to ensure that they identify and address any opportunities to deliver the programme more sustainably. This includes defaulting to digital materials wherever possible to reduce the amount of printing, eliminating single use plastics and encouraging use of an electric pool car or public transport to travel to events and sessions.

However, programme team consultees agreed that more could be done to make further contributions towards ERDF horizontal principles. In the future the programme team would aim to work closely with organisations focused on equality and diversity such as Black South West Network, and sustainability focused organisations such as Future Leap, a sustainable business network. Another suggestion from the programme team is to run workshops for beneficiaries in inclusive venues such as community spaces.

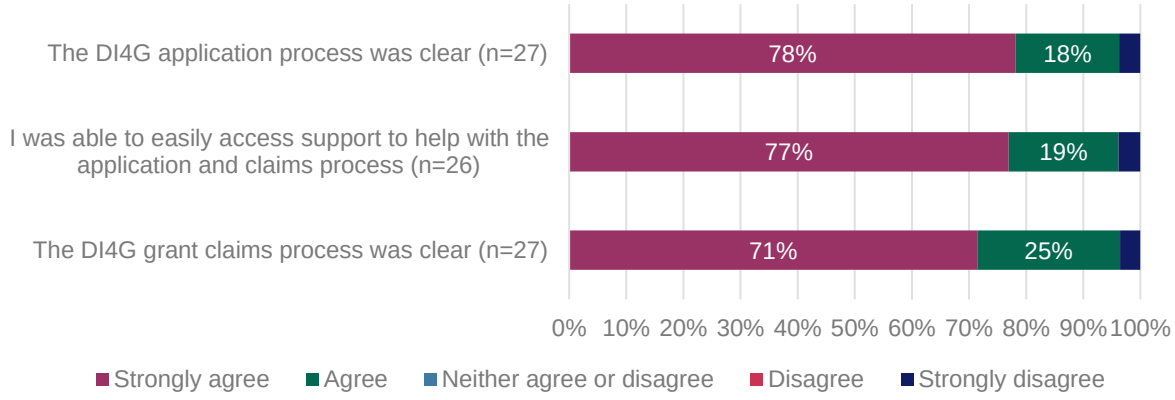
4.5 Grant scheme

4.5.1 Application and claims process

Many successes were highlighted by the programme team and beneficiary survey respondents with regards to the DI4G application and claims process. The rigorous application process for a DI4G grant can seem daunting at first for businesses but has resulted in the submission of more detailed and robust business plans which is positive not only for the efficiency and effectiveness of the grant scheme overall but also for the individual businesses themselves over the longer-term. The guidance created by the team has ensured that the application process is as simple as possible for businesses despite the inherent complexity of applying for ERDF funding. Two programme team consultees were proud of their carefully designed claims form that captures detailed information (as per the funders stringent rules), whilst being user friendly and a manageable length for businesses.

Beneficiary survey respondents echoed the positive comments from the programme team about the DI4G grant application and claims process. Respondents were asked to rate the delivery of the grant process. These results are presented overleaf in figure 4.2. Almost all (96 per cent) respondents agreed or strongly agreed that; the DI4G application process was clear; they were able to easily access support to help with their application and claims process, and that the grant claims process was clear. Only one beneficiary survey respondent was critical of the application process, stating that their match funding had complicated their application and it had taken a longer time than expected to receive their grant.

Figure 4.2: Quality of the DI4G grants process according to beneficiary survey respondents[4]



4.5.2 Delivery of the grants scheme

Delivery of the grants scheme in general has run smoothly, largely due to the experience of the DI4G team in delivering business support programmes. For businesses that needed it, the DI4G team were able to share their knowledge and provide tailored and 1-2-1 support to businesses. Two beneficiary survey respondents reported this as a positive experience, and said they felt fully supported by DI4G staff through the grants process.

The timescales for the delivery of grant-funded projects were also recognised as being appropriately judged. The limited time frame associated with a grant award meant that businesses were encouraged to progress with their projects as efficiently as possible. However, this was not a one-size fits all approach with flexibility offered as needed. One beneficiary survey respondent reported that flexibility on the timing of grant activities allowed them to use the funding most effectively to support delivery.

> ***In my 20 years of experience in grant writing and reporting, I can say confidently that the DI4G grant process was extremely supportive and straightforward - thank you!***
>
> **Beneficiary survey respondent**

Delivering the DI4G grants scheme was not without its challenges, as highlighted by a number of programme team consultees. The main challenge was allocating the right amount of funding to businesses since many of the businesses did not claim all of the money awarded. This is perhaps of no surprise given the current economic climate, and generally variances in spend were due to external factors such as delays in purchasing materials arising from supply chain issues and struggles obtaining sufficient match funding.

In contrast, a small number of businesses didn't receive enough grant funding for their projects and one programme team member suggested that a higher intervention rate may have helped with this. They did however highlight that microgrants (discussed in section 4.8) were able to plug some of this gap for certain businesses.

[4] 67 per cent (n=27) of beneficiary survey respondents reported that they had received a digital innovation grant as part of the DI4G programme. Percentages have been rounded up to the nearest one per cent. 'The DI4G application process was clear' statement totals 101 per cent including: Strongly agree (77.8 per cent) Agree (18.5 per cent) and strongly disagree (3.7 per cent).

4.6 Launch Space

4.6.1 Delivery of Launch Space

Insights captured from interviews with programme team members, beneficiary comments in the e-survey and the internal beneficiary feedback form together highlight the areas of Launch Space delivery that worked well.

The variety and combination of support services available in one place is a core strength of the Launch Space project. Consultees mentioned that physical facilities such as the workspaces and labs, the books and resources, along with the onsite presence of experts and peers has been of great benefit to businesses. Beneficiaries also valued having access to the workshops and seminars as part of the Launch Space offer.

The Launch Space provides businesses with excellent networking opportunities and a supportive 'ecosystem' of peers, experts, and mentors. Two internal feedback participants said that the Launch Space and its networking opportunities had left them with the feeling of a strong sense of community. Another highlighted that having a good number of women in the Launch Space helped to create a more inclusive environment.

> ***I've made extremely valuable connections through the programme that have enabled me to redefine my business objectives and that will hopefully allow me to reach investor readiness.***
>
> **Launch Space feedback form respondent**

The teams' expertise and passion to deliver a quality and tailored service to the businesses within the Launch Space was credited by one programme team consultee, who also noted that they had managed to build and maintain close professional relationships with others that can provide support to businesses such as academics and other SMEs. Three beneficiaries corroborated this, stating that the Launch Space staff were helpful, knowledgeable as well as excellent at communicating and listened to their needs.

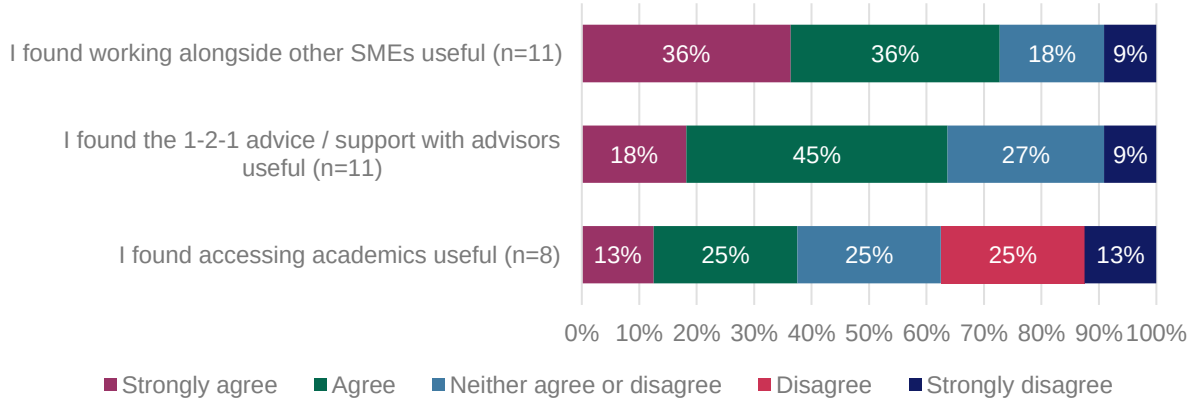
The shift towards a more structured framework of support for businesses taking part in the Launch Space, for example by offering an induction and 1-2-1 support as part of the offer, has been well received by businesses. One programme team member also mentioned that the length of time that businesses are offered support via the Launch Space works well. Businesses are given six months to build relationships and nurture those networks balanced with a quieter workspace with fewer businesses working at any given time.

> ***It can be very difficult for them to navigate all of this (starting a business), but we provide support for all of it. If they have a question, we say 'let's go next door to the technicians and see if they can help'.***
>
> **Programme team consultee**

Beneficiary survey respondents were asked to rate how useful they found different delivery areas of Launch Space; these results are presented in Figure 4.3 below. Respondents indicated that they found working alongside other SMEs most useful with eight respondents either agreeing or strongly agreeing, while seven respondents agreed or strongly agreed that the 1-2-1 and advisory support was useful. However, only two agreed or strongly agreed that accessing academics was useful, a further two disagreed that they had found it useful. However, as no other evidence captured supports this finding and the sample size is small (n=8), and this result should be treated with caution.

> ***Given the range of business type and stage, the information and support seemed relevant and meaningful for all. There were a high number of businesses, but I felt the programme provided me with a great deal of individual support and feedback.***
>
> **Beneficiary survey respondent**

Figure 4.3: Usefulness of the Launch Space according to beneficiary survey respondents[5]



Programme team members struggled to identify challenges and barriers in the delivery of the Launch Space as they generally felt that delivery had ran smoothly. One programme team consultee did mention that due to criteria set by the funder it had been difficult to capture output data that reflected the large number of businesses that they support. One programme team consultee added that a delivery team member of staff that has now left the programme found it difficult to encourage businesses to complete paperwork to help the programme record output data for the Launch Space. However, this was remedied with a change in staffing.

Some beneficiaries provided internal feedback highlighting areas that could be improved within Launch Space delivery. Three businesses said that a dedicated physical space would help to build a community of businesses while two businesses felt that more could be done to accommodate different business models and stages. For example, one respondent said that perhaps the Launch Space is geared towards younger founders. Another said that they would have benefitted more from having an assigned mentor from the beginning.

[5] Percentages have been rounded up to the nearest one per cent. To one decimal place, 'I found working alongside other SMEs useful': 36.4 per cent strongly agreed, 36.4 per cent agreed, 18.2 per cent neither agreed nor disagreed, and 9.1 per cent strongly disagreed (totalling 99 per cent). 'I found the 1-2-1 advice/support with advisors useful': 18.2 per cent strongly agreed, 45.5 per cent agreed, 27.3 per cent neither agreed or disagreed, and 9.1 per cent strongly disagreed (totalling 99 per cent). 'I found accessing academics useful': 12.5 per cent strongly agreed, 25 per cent agreed, 25 per cent neither agreed or disagreed, 25 per cent disagreed, and 12.5 per cent strongly disagreed (totalling 101 per cent).

> ***I felt that the programme focused heavily on developing a strong pitch and securing investment. This was good and I learned a lot, however, I feel this may have been a bit early for my business as I was still finalising an MVP and validating the market fit - these were higher priorities for me.***
>
> **Launch Space beneficiary internal feedback respondent**

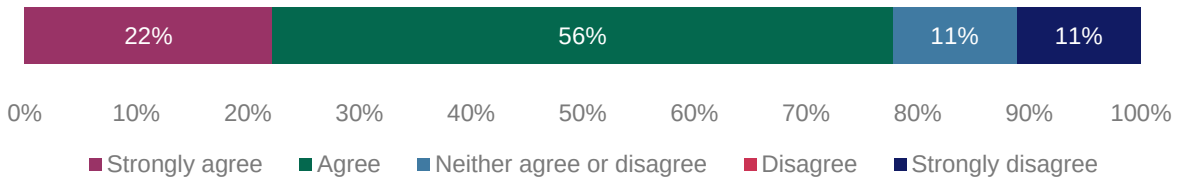
4.6.1.1 Launch Space induction

The Launch Space induction allows beneficiaries to form connections with each other and helps beneficiaries to familiarise themselves with the space as well as understand the programme including introducing the grants scheme and other available support.

Nine beneficiary survey respondents reported that they completed the Launch Space induction. Their responses are shown in Figure 4.4 below. The majority of respondents (78 per cent) agreed or strongly agreed that the induction was useful. Two of these respondents commented that they found the guest speakers and the introduction of the different facilities available the most useful aspects of the Launch Space induction. Two businesses providing internal feedback said that they particularly enjoyed the networking bingo as an introduction and ice breaker.

Three businesses made suggestions for improvement in their internal feedback. They mentioned that more group activities earlier in the induction process would have enabled more conversation to flow between attendees and to ensure everyone felt more comfortable.

Figure 4.4: Usefulness of the Launch Space induction according to beneficiary survey respondents (n=9)



> ***The day gave a great insight into how I can optimise my time at Launch Space and engage with all opportunities provided. The 6-month duration was clearly outlined, allowing myself to dedicate time from the get-go.***
>
> **Launch Space beneficiary internal feedback respondent**

4.7 Hackathons

As discussed in section 2.3, the programme team agreed that the Hackathons didn't work well for most businesses involved in the DI4G programme and further, they weren't particularly helpful for resolving the unique problems that SMEs encounter. As a result, only three Hackathon sessions were provided for just one cohort and only three businesses completed the series of three sessions. Programme team consultees reported that running the Hackathons online did not appeal to businesses. Further, they said that businesses are more concerned with supporting their own business to grow and may have felt they had spent too much time solving problems for others.

Despite these challenges, one programme team consultee said that the three businesses completing the Hackathon sessions seemed to find them useful in terms of networking with others and that they understood these businesses were continuing to work with those they had met during the Hackathon sessions.

4.8 Bid writing and innovation workshops

The content of the bid writing and innovation workshops provided businesses with detailed information about bid writing, demystified barriers and terminology, broke down misconceptions around bid writing whilst providing external perspectives from experts. All nine businesses providing internal feedback supported this, stating they had found these topics useful.

Businesses providing internal feedback were mixed in what session they found the most useful, which is no surprise given the variety of businesses subscribed to the workshops both in type and stage of their businesses. For example, two businesses reported that the funding and investment sessions were not as relevant as the other sessions, as one was not a business owner, while another had covered it before in a different course, while another said that they found these sessions the most useful.

The format of the sessions worked well, however. Not only were businesses given the time and space to network with others but they were also able to discuss their own individual projects in detail. The nine businesses providing internal feedback supported this and felt that the workshops were well ran and organised.

Networking opportunities were maximised where businesses were able to come together in person for the workshops. As networking is one of the main draws of the workshops for businesses, unfortunately the retention rates of the online workshops declined after pandemic restrictions lifted. One programme team consultee highlighted that it was not feasible to engage people online for 12 hours, as per the initial plan. Due to the difficulties in delivering the workshops online, delivery staff followed up with businesses on a 1-2-1 basis. Unfortunately, these businesses did not count towards the programmes target as they did not complete 12 hours as per the grant funding agreement.

Positively, all five of the survey respondents receiving 1-2-1 support following the workshops agreed or strongly agreed that they found the support useful. One respondent commented that the 1-2-1 support had helped them to clearly state their USP in their application while another said that they found it very supportive and that it had challenged them to think creatively.

> ***Overall, I found the whole course helpful, and I enjoyed meeting new people, even face to face which was extra exciting! A fantastic course, great networking and support, well run, friendly, extremely worthwhile.***
>
> **Workshop feedback form respondent**

4.8.1 Microgrants

Programme team feedback about the delivery of microgrants was mixed. Two programme team consultees reported that microgrants fill a gap in grant-based support since they have less restrictions compared with other grants, and that this had helped businesses that do not fit the criteria for other grants. One programme team consultee felt that it was good practice for smaller start-ups in completing a full grant application form. The process for approving grants was much simpler compared with the standard DI4G grants scheme, and about half of applicants were successful in their applications. The two beneficiary survey respondents that received a microgrant echoed this in their survey responses, stating they strongly agreed that the microgrant claims process was well managed.

> ***Due to cashflow I needed to breakdown my claim, so it was paid in smaller chunks. The team was flexible and helped me with this.***
>
> **Beneficiary survey respondent**

However, processing microgrant claims and completing associated administration absorbed a great deal of DI4G staff time, and the programme team were in agreement that the teams' resource could be better used in other areas. Also, three programme team consultees felt that the microgrants under £5000 were too small to result in any meaningful outputs for businesses and didn't provide good value for money.

Summary

- The team did well to adapt to the challenges created by the pandemic, and programme was well managed, strong internal communication and well-defined roles.
- The majority of beneficiaries were complimentary about the organisation of the programme and the support that they received from the team.
- The monitoring and reporting processes within the programme were found to be effective, helped by the teams experience in delivering ERDF funded projects.
- The programme team relied mostly on existing networks to recruit beneficiaries, whilst adopting social and targeted media strategies, and attending business events. This resulted in most businesses located in Bristol and Bath.
- Assurances were made to ensure that the businesses recruited were suitable for the grants scheme, including accessing one-to-one appointments with staff to ensure eligibility, and throughout the application process for support and advice.
- The programme has clearly been making contributions towards the two ERDF horizontal principles, these could be built upon in future programmes. However, the programme team acknowledged that there is more work to be done in these areas.
- Grants claims and application processes ran smoothly. The team were successful in designing a good quality comms and marketing strategy for grants which attracted suitable businesses, and beneficiaries credited the robust yet user-friendly application form with detailed guidance and support to help businesses through the process.
- The team offered individualised support throughout the grant process and was well received by beneficiaries. Due to semi-flexible grant timescales, businesses were able to progress with their projects efficiently. Yet, some businesses were able to spend their full grant, mainly due to the challenging economic environment.

- The Launch Space continues to be a core strength of the programme and operated with few challenges. The combination of access to resources, experts and physical workspace is well-received by businesses. By far, the main draw for businesses is the networking opportunities with peers and people within their industry, along with the expertise and support of the team.
- Recording Launch Space outputs were a challenge for the team, mainly as they were not able to include many of the businesses that they supported to achieve softer outcomes. While some businesses highlighted a need for more physical workspaces to allow for more peer support.
- The Launch Space induction allows beneficiaries to learn from experts, form connections with peers, and familiarise themselves with the space. Yet, businesses said that they would find more group work useful.
- Due to the issues aforementioned, Hackathons were run for one cohort and three businesses completed all sessions. Although small in number, these businesses did benefit by creating lasting relationships with peers and experts.
- The bid writing and innovation workshops were well run, the wide range of businesses found the content useful, and the format worked well. Delivering the workshops face-to-face rather than online helped to maximise networking opportunities for businesses. However, businesses gave very positive feedback about the 121 support offered in addition to the online workshops.
- Views on offering microgrants were mixed, while they worked for some businesses both in offering practice in applying for a grant, and they plugged a gap for businesses who were not eligible for other grants available, processing them proved to be labour-intensive, and the team were in agreement that their time could be better spent elsewhere.

5 Outcomes and impacts

This section of the report explores the emerging outcomes and impacts of the DI4G programme, focusing on beneficiary outcomes, by each strand and the programme overall, followed by the counterfactual – what would have happened in the absence of the programme.

5.1 Beneficiary outcomes

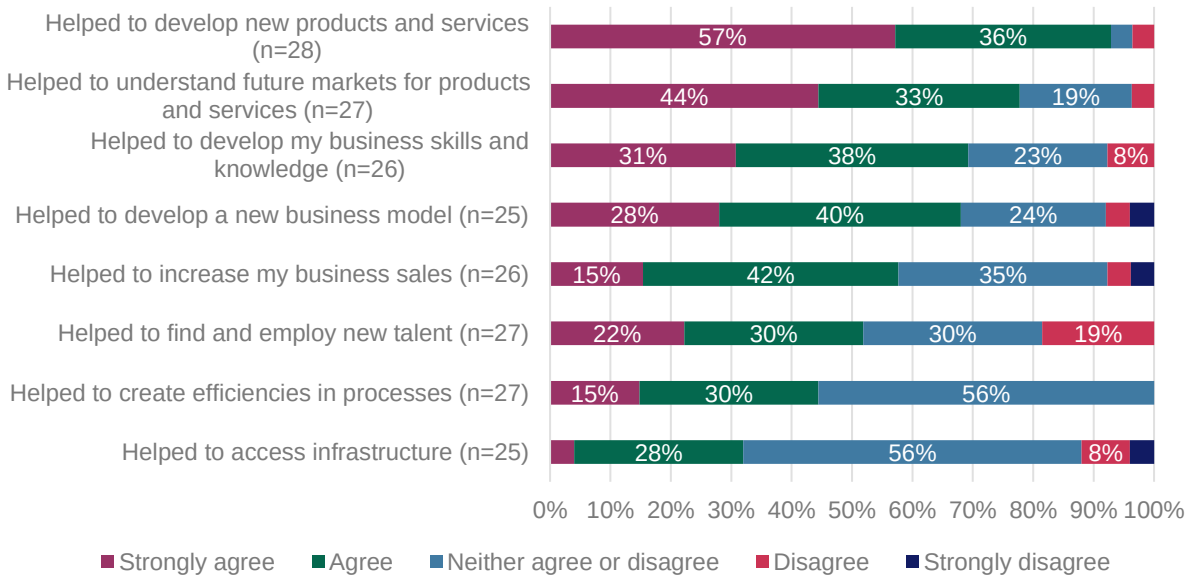
The e-survey asked SME beneficiaries a series of questions to understand the outcomes and impacts of the DI4G programme. These were separated by each strand.

Digital innovation grants

The impacts of the DI4G grant on beneficiaries is presented in figure 5.1 below. Respondents cited the DI4G grants were most likely to help them develop new products and services, with 93 per cent agreeing or strongly agreeing. Other highly cited impacts included helping to understand future markets for products and services (77 per cent agreeing or strongly agreeing), helping to develop business skills and knowledge (69 per cent), and helping to develop a new business model (68 per cent). Over half of survey respondents agreed or strongly agreed that the DI4G grant had helped them to increase business sales (57 per cent) and to find and employ new talent (52 per cent).

However, businesses were less likely to agree or strongly agree that the DI4G grant had helped them to create efficiencies in processes (45 per cent agreed), or that it had helped them to access infrastructure (32 per cent). This is no surprise considering that most beneficiaries were focussed on developing new products or services, as opposed to working on projects aiming to make changes to existing processes. Despite this, the DI4G grant was significantly impactful in supporting businesses in the core objectives of the programme; to develop new products and services, to foster innovation and deliver new products to market.

Figure 5.1: The impact of DI4G grants according to beneficiary survey respondents



Expanding on this, nine survey respondents commented on the outcomes they had experienced as a result of the DI4G grant. Three said that the grant had supported them to develop products towards market, and two reported that they were able to begin additional and new projects. Other comments related to improved intellectual property protection methods, opening up social value markets, obtaining further funding and adding reputational benefit to their business. One said that in early stages of the grant they were able to develop technologies, resulting in working on two contracts, although positive, this had meant that they designated resource towards the contracts rather than developing the technology further.

> ***We used the grant to build a minimum viable product model and other IT infrastructure, which probably enable us to secure a pre-seed investment up to £500,000. Thank you!***
>
> **Beneficiary survey respondent**

> ***Our Product Information Management processes are now more efficient, uniform, and accurate. We are now able to easily share this information in multiple languages.***
>
> **Beneficiary survey respondent**

All 28 survey respondents in receipt of a DI4G grant said that the grant would support their businesses to grow or continue to grow at some point in the future. They reported they were able to achieve this via:

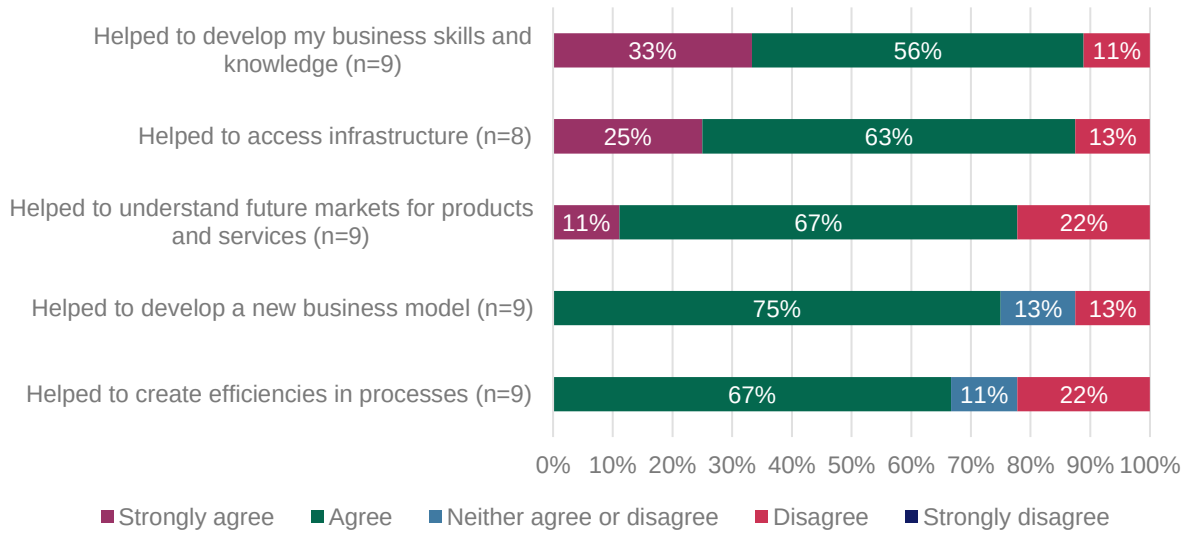
- Development of existing products and technology – bringing products to market quicker, developing product roadmaps and proving the viability of the products (six comments)
- New and improved processes such as: data collection, hardware/software, information management processes, new platforms and workflows (five comments)
- Increased capacity to focus more on research and development (four comments)
- Development of new products (three comments)
- Increasing sales (three comments)
- Raising further investment (three comments)
- Improving commercialisation strategy (two comments)
- Management and recruiting skilled staff (two comments)

Programme team consultees supported that the grants have undoubtedly boosted innovation, supported businesses to grow via gaining further funding, creation of new jobs, increase sales of products, and improve processes to achieve more efficiencies. Programme team consultees also reported that the grants have led to new viable and sustainable business models and have enabled businesses to plan the next stages of their business.

Launch Space

The impacts of the DI4G Launch Space on beneficiaries is presented in figure 5.2 below. According to beneficiary survey respondents the Launch Space was most likely to support them develop business skills and knowledge - with 89 per cent agreeing or strongly agreeing. Helping to access infrastructure and understanding future markets were also strongly cited impacts of the Launch Space for beneficiaries (88 per cent agreeing or strongly agreeing), as was helping to understand future markets for products and services (78 per cent agreeing or strongly agreeing) and helping to develop a new business model (75 per cent agreeing). 67 per cent of survey respondents agreed that the Launch Space had also helped them to create efficiencies in processes. The least cited impact was helping to create efficiencies, although, 67 per cent still agreed that the Launch Space had made a difference in that area. Although these are small sample sizes, the results present a positive picture of the outcomes and impacts on businesses that took part in the Launch Space.

Figure 5.2: Impact of the Launch Space according to beneficiary survey respondents



Programme team consultees also celebrated the successes of the Launch Space as part of the DI4G programme. In line with the beneficiary survey results, learning outcomes were most likely to be mentioned by the programme team. Programme team consultees strongly supported the continual access to 121 support, peers, and experts via the Launch Space for businesses as it supports learning and innovation, the creation of new ideas, and project progression whilst building a strong network in the industry. One programme team acknowledged the potential for growth for beneficiary businesses as a key outcome of the Launch Space, helped by having access to a bank of potential new employees free of charge through the university student placement and graduate schemes.

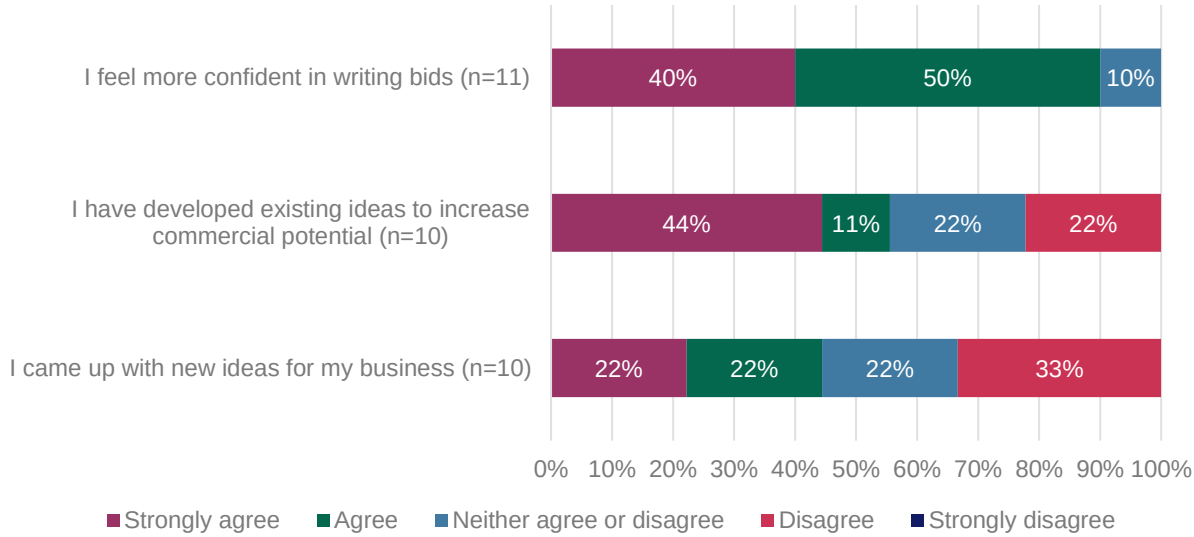
For many DI4G beneficiaries, the Launch Space has supported them to develop create viable, and sustainable businesses. Although, two programme team consultees also pointed out that the slower paced holistic support for early to mid-stage businesses has helped them to determine whether to continue with their idea. One programme team consultee said: '*For some, it is the right thing to not progress with their project, it may not be viable, it is better to realise sooner rather than later down the line having invested lots of money and resources*'.

> ***Some come to us in the very early stages, some just have an idea. They receive lots of advice from peers and advice on what is sensible and realistic to achieve next.***
>
> **Programme team consultee**

Innovation and bid writing workshops

The impacts of the DI4G bid writing and innovation workshops on beneficiaries is presented in figure 5.3 below. 90 per cent of beneficiaries agreed or strongly agreed that they felt more confident in writing bids, explaining that the bid writing element of the workshops has been successful and well received by beneficiaries. Comparatively, the survey data suggests that the innovation element of the workshops was not as impactful, yet, this is no surprise due to the complicated nature of innovation. 55 per cent agreed or strongly agreed that they had developed existing ideas to increase commercial potential, and 44 per cent agreed or strongly agreed that they had come up with new business ideas.

Figure 5.3: Impact of innovation and bid writing workshops according to beneficiary survey respondents



When asked to explain their feedback, four survey participants credited the knowledge and support of the course leaders and experts involved in the workshops for positive outcomes, and two mentioned the closer links with the university and opportunities provided support towards their business goals. Another said that they received a microgrant via the workshops and were able to obtain a place on Launch Space, leading to further opportunities for their business.

The DI4G team have witnessed beneficiaries being successful in funding bids as a result of attending the workshops. Seven survey respondents said that they have completed a funding application since the bid writing and innovation workshop. Four of these said that they were successful in the application, three reported the amounts received, totalling £24,600. Survey respondents reported a range of funders including the Business Innovation Fund, Innovate UK Fast Start, Creative England, and Tech for Growth. Three of the four businesses reported that it is either unlikely or very unlikely that they would have obtained the additional funding (totalling £21,600) without attending the workshop.

The additional funding obtained as a result of the workshops had clearly had a big impact on these businesses. One reported that the additional funding had enabled them to continue their research and development into alpha release and production, another said that they now are about to go to market thanks to the additional funding. One reported that the funding has given them the opportunity to work with a mentor to create a realistic business plan, and another said that they have now been able to build new digital services.

Programme team members celebrated the bid writing and innovation workshops for providing much needed support for early-stage businesses in particular. One programme team consultee reported that beneficiaries have developed bid writing skills and learnt how to sell their projects or business in a way that suits funders through using certain terminology and writing styles. One programme team consultee said that beneficiaries have learnt about the various funding schemes on offer and where might be best to focus their attention.

> ***Businesses don't know what they aren't including in applications, they are learning things that they weren't aware of… it could be about wording it so the funder understands what they are doing, not just sounding like an advert.***
>
> **Programme team consultee**

Hackathons

Although few businesses completed the hackathons, one programme team member reported outcomes they had witnessed. The programme team consultee reported that beneficiaries in attendance of the hackathons were able to network with a number of peers in a similar stage of their business which was invaluable in making connections with others in the industry. Alongside this, they were able to meet key players in the industry, including experts and academics, further widening their network.

In addition, those businesses that completed the series of hackathon sessions were able to solve legal challenges they had brought to discuss, whilst building knowledge in the legal technology area, and developing skills in supporting others to problem solve.

Overall

Programme team consultees and beneficiary survey respondents reported a number of outcomes for beneficiaries for the programme overall. For example, a third of beneficiary survey respondents said that they had been referred to external business support through DI4G. Some of these respondents reported the areas in which they had benefited from the referrals; Four stated that they have already or are in the process of applying to funders suggested by the programme, two said that they had been referred to specialists and academics that have helped them to understand key areas such as investment in business, legalities relating to intellectual property, finance, and digital marketing, one said that they have been referred to a specialised workspace, and another said that they are completing an internship recommended by the programme.

74 per cent of beneficiary survey respondents reported the support they had received from DI4G would help their business grow in the future. They reported that this was due to access to resources and guidance, and opportunities via new connections made. A programme team consultee also confirmed this, attributing the multi-pronged approach of the programme for successfully supporting businesses through each stage of their development, from initial set up to acquiring large sums of funding to grow and continue.

> ***Through the programme, they are taught how to get to a certain point with their business, then can apply for the money to continue. It really works.***
>
> **Programme team consultee**

> ***It helped us to lay the groundwork for taking on much more ambitious connectivity technology like satellite in remote locations.***
>
> **Beneficiary survey respondent**

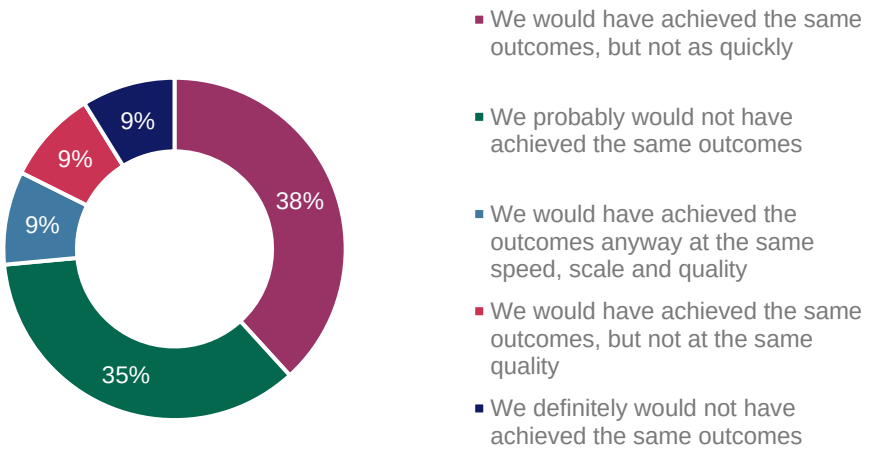
One programme team member mentioned the boosted credibility and reputation of businesses taking part in the DI4G programme. For example, since participating in the DI4G programme one entrepreneur is gaining recognition in the industry for innovation and is winning business awards nationally. The programme team member felt that the reputation of the programme is a large factor in contributing to these types of outcomes for beneficiaries.

One programme team member reported that beneficiary businesses involved in any of the strands have gained confidence and reassurance in themselves and their business. The programme team member mentioned that the programme has 'given them the confidence to get to where they need to be throughout each stage of their business development.'

5.1.1 Counterfactual

Businesses responding to the survey were asked whether they would have achieved the same outcomes without support from the programme. As can be seen in Figure 5.4 below, 38 per cent of businesses reported that they would have achieved the same outcomes but not as quickly, 35 per cent of businesses said that they probably would not have achieved the same outcomes, and nine per cent reported that they definitely would not have achieved the same outcomes. Only nine per cent would have achieved the same outcomes at the same speed, scale, and quality without support from the programme. This shows the importance of the programme in facilitating and enabling businesses to achieve outcomes mentioned in this chapter.

Figure 5.4 Outcomes without the support from DI4G according to beneficiary survey respondents (n=34)



Data from the programme team supports the responses from the business survey. A number of team members explained how there were few alternatives to the unique package that DI4G offers businesses and, therefore, businesses may have struggled to achieve the same outcomes without the support. This seems to be especially the case for smaller businesses, who would likely have had more difficulty sourcing support for innovation elsewhere.

5.1.2 Beneficiary case study

As part of our research, we interviewed one of the businesses that has been involved and has benefitted from the DI4G programme. The case study below demonstrates an example of a journey that a business will go through on the programme, from its motivations to become involved, how it engaged in the programme and how it has changed their experience.

Motivations to join DI4G

Visitmor is a public realm and visitor experience consultancy business, that creates educational boards for clients including visitor centres and outdoor nature areas. The business was created with experience gathered from years working in the industry. Founded in November 2019, the business was just getting started before the pandemic hit. Visitmor applied to DI4G after struggling to gain investment from laborious tendering. They could see the value of the programme in offering a business incubator and workshops to support in how to apply for funding.

"Having that training to tell me 'this is how you do it and lay it out', its made so much difference. If you aren't using the right language then you aren't going to be eligible for any funding. It was crucial."

Programme experience

Visitmor was impressed with the range of options available to them and participated in both the **Launch Space and the bid writing and innovation workshops.** The main grants scheme was not open to them as they were still in the early stages of their business, but they were eligible for the microgrant as they had completed the workshops. They were able to practice the skills they had learnt in the workshop, **which later resulted in them receiving a £3500 grant from the programme.** They highly appreciated the tailored support they had from the knowledgeable staff, as well as the belief the programme had in them.

"I think the grant has brought me new clients such as regional wildlife trusts, I now have about 20 people interested in it…"

Outcomes and impacts

Visitmor spent the DI4G microgrant on developing a platform from an idea to something **that they are now able to offer to clients**. The new platform 'SignEd' is an educational sign and game platform that will help clients to tell stories using over 150 nature illustrations. With the launch of the new platform imminent, they are positive that they will gain interest from new and potential clients, which in turn they hope to **begin selling as a membership.** Visitmors next step is to scale up their offer, they can eventually see their business growing internationally, which they thank the DI4G grant for in giving them a well-timed opportunity to develop their business.

5.2 Wider outcomes

A number of wider outcomes have emerged from the DI4G programme. For example, the university had won a funding bid to run several skills programmes in the last year and it is felt by the programme team that this is in part due to the success and positive reputation of the DI4G programme. One of the programme team members also felt that DI4G had boosted awareness of business support programmes across the region including grant funding for businesses.

One programme team consultee also mentioned that working on an ERDF funded project had created learning for their team as they have had to adapt and change according to varying funding rules.

5.3 Economic impact assessment

Introduction and method

This section estimates the economic impact of the DI4G programme to date. The economic impact assessment covers economic impacts relating to beneficiary SMEs in terms of turnover and employment growth.

Economic impacts associated with turnover are then expressed as Gross Value Added (GVA), the measure of the economic value of goods and services produced, whilst employment impacts are expressed in Full Time Equivalents (FTEs). As per government guidance, both gross and net impacts have been calculated. To calculate net impacts, each factor of additionality[6] is considered and applied to gross outputs. To assess additionality, the ERS e-surveys incorporated questions relating to any attribution of economic outputs that could be related to the support. This was done by asking beneficiaries "if [turnover/employment] increased, what percentage of this increase would you attribute to support from DI4G?" Other questions covered leakage, substitution, and displacement effects.

Employment impact data was provided by 33 beneficiary SMEs whilst 31 SMEs provided data relating to turnover impact. There are three SMEs that reported both a reduction in FTEs and decrease in turnover. However, this was likely caused by trading conditions resulting from COVID-19.

Beneficiary SME economic impacts arising from DI4G engagement

This economic impact assessment calculates the benefits captured by beneficiary SMEs who have taken part in DI4G. Our survey data provides the baseline figures for turnover and employment, enabling gross changes to be derived.

Gross change in turnover and employment

The first step of the impact assessment is to identify the average growth in turnover and employment across the beneficiary SMEs since they received support from the DI4G scheme. The average change in turnover was £276k and the average growth in employment was 0.3 Full-time Equivalents (FTEs). This gross change in employment and turnover does not consider how much of that change is attributable to the support of the DI4G project. This is considered using the concept of additionality.

Additionality

Additionality refers to the impact arising from an intervention that is 'additional', i.e., if it would not have occurred in the absence of the intervention. There are 5 additionality factors, that are explained overleaf:

[6] Impact arising from an intervention is 'additional' if it would not have occurred in the absence of the intervention.

Leakage

- Definition: The proportion of outputs that benefit those outside of the interventions target area.
- How leakage is relevant to the employment outcomes of the scheme: the number of jobs that go to residents outside the West of England LEP area.
- How leakage is relevant to the turnover outcomes of the scheme: the proportion of the turnover that benefits individuals outside of the West of England LEP area

Displacement

- Definition: the proportion of outputs accounted for by reduced outputs elsewhere.
- How displacement is relevant to the scheme: the DI4G participants gain an increase in turnover and employment that has reduced other firms' employment and turnover within the West of England LEP area.

Deadweight

- Definition: the proportion of outputs that would have occurred without the intervention going ahead.
- How deadweight is relevant to the scheme: the proportion of turnover and employment increases that would have occurred in the absence of DI4G.

Substitution

- Definition: the effect that arises from a firm substituting one activity for another to take advantage of public assistance
- How substitution is relevant to the scheme: the economic activities that business owners would have partaken in without their business or DI4G

Multiplier

- Definition: Further economic activity associated with additional local income, local supplier purchases and longer-term development effects.
- How the multiplier is relevant to this scheme: the additional employment and GVA generated in SMEs supply chains and employees wider spend.

Table 5.1 overleaf summarises the additionality findings of the e-survey against additionality estimates from HCA guidance[7] and BEIS Research[8]. These authoritative secondary sources provide a means to compare the results of the DI4G survey and sense check our findings.

The HCA and BIS reports are both 'meta-analyses' i.e., drawing on many studies to report typical values, as well as indicating the range of higher or lower estimates.

[7] HCA (2014) Additionality Guide, Fourth Edition
[8] BIS (2009) Research to Improve the Assessment of Additionality.

Table 5.1: Factors of Additionality: Source Beneficiary E-surveys			
Additionality Factor	**DI4G survey (December 2022)**	**'Ready Reckoners' Additionality Guide (2014)**	**BIS Additionality Research (2009)**
Deadweight – Employment	23%	Below Low (25%)	Mean, Regional, Business development & competitiveness: 45.5%
Deadweight – Turnover	79%	Above High (75%)	Mean, Regional, Business development & competitiveness: 45.5%
Displacement	18%	29.3%	Mean, Regional, Business development & competitiveness: 25.0%
Leakage	20%	Below Medium (25%)	Mean, Regional, Business development & competitiveness: 11.5%
Substitution	2.1%	3.4%	Mean, Regional, Business development & competitiveness: 2.3%

Our estimate of deadweight for DI4G impacts associated with beneficiary SME employment benefits is 23 per cent. This sits in line with HCA Ready Reckoners but not with BIS additionality research. Alignment remains with impacts on turnover, which is valued at 79 per cent, which is comparable Ready Reckoners. This would imply that employment increases have a high level of attribution to DI4G support whereas DI4G support has a low attribution to turnover increases.

Our value for displacement is based on the proportion of sales and competitors located in the West of England LEP area. These two measures generate a low level of displacement of 18 per cent, which is roughly aligned to the Ready Reckoner and BIS additionality research. This indicates that a limited proportion of turnover and employment has been displaced from other local firms.

Leakage of impacts from the project are in line with what might be expected, at 20 per cent. This is obtained by assessing the proportion of employees living in the West of England LEP area. This would indicate that a small proportion of the impacts accrue outside the target area of the West of England LEP.

Substitution of impacts are assessed by observing what the recipient business owners would have done if they were not running their business. We have assessed the GVA they would have created if they were in employment and compared this against the turnover generated by the SMEs. This is assessed to be 2.1 per cent, which sits in line with BIS and Additionality Guide estimates.

As well as the additionality factors described above, it is also important to consider the multiplier effects, which capture the indirect and induced impacts in the economy. The multiplier used in this analysis is taken from HCA Additionality Guidance (2014) which suggests a multiplier of 1.51 at a regional level for 'Business Development and Competitiveness' interventions.

Net Additional Impacts

The factors of additionality described above are applied to gross change in employment and turnover, to calculate the net additional impact. The findings from the survey sample are extrapolated to the total number of businesses assisted to date and translated into GVA, at the time of writing this was 100 as described in the progress chapter. These figures are summarised in Table 5.2.

Table 5.2: Net Economic Impact– those assisted to Q4 2022	
Employment	**FTE**
Net Additional Employment per Business (FTE)	0.3 FTE
Net Additional Employment Impact (FTE) (extrapolated to 100 business assists)	32.1 FTE
Turnover and GVA	**£**
Net Additional Turnover per Business	£81,173.42
Net Additional Turnover Impact (extrapolated to 100 business assists)	£8,117,342.02
Net Additional GVA Increase per Business	£50,201.99
Net Additional GVA (extrapolated to 100 business assists)	£5,020,199.45

The impact assessment indicates that the project, with respect to beneficiary SMEs, has **created over £5m in net additional GVA and 32 FTEs to date**. Like most assessments of economic impact, the quantified impact estimates are based on the perceptions of the businesses surveyed and are therefore indicative.

Summary

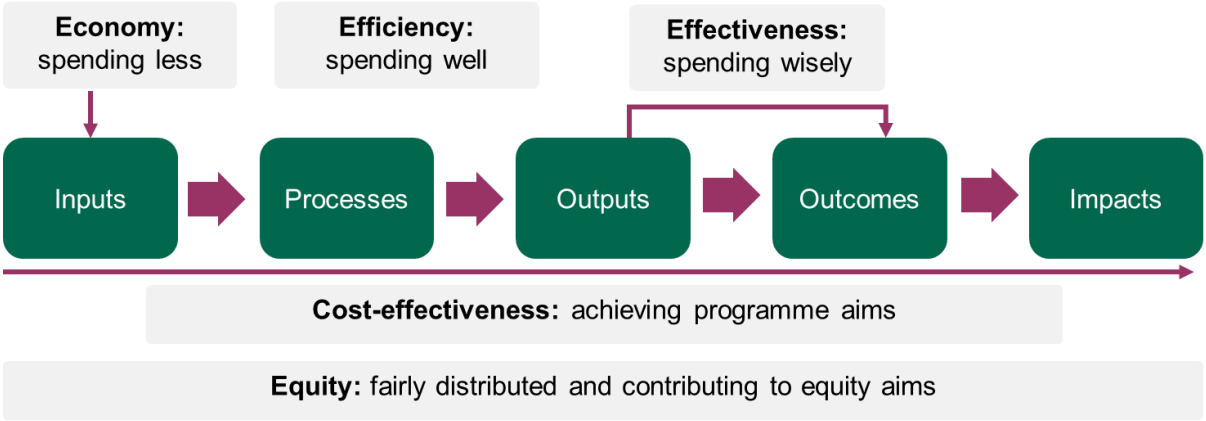
- The DI4G grant was significantly impactful in supporting businesses in the core objectives of the programme; to develop new products and services, to foster innovation and deliver new products to market. Businesses were also likely to develop new processes and improve their strategies with the grant.
- Beneficiaries reported that the grant would support their business to grow or continue to grow in the future and that it had achieved this through increasing sales, raising further investment, and recruiting new staff.
- The Launch Space also had significant positive impacts on beneficiaries and has supported them to develop viable and sustainable businesses. Impacts include helping businesses by developing business skills and knowledge, accessing infrastructure, understanding future markets for products and services, developing new business models, and creating efficiencies.
- The bid writing and innovation workshops were of benefit to early-stage businesses in particular, and beneficiaries felt more confident and developed skills in writing bids as a result of attending. Some beneficiaries attributed their success in subsequent grant applications to the workshops. While the workshops impacted fewer businesses innovation, still, approximately half had developed ideas or come up with new ones.
- Overall, the multi-pronged approach of the programme supported businesses through each stage of their development, from initial set-up to acquiring large sums of funding to grow and continue. In addition, some beneficiaries had been referred to external business support by DI4G such as potential new funders or external specialists, further supporting growth.

- The success of the programme may have led to further outcomes for the university such as strengthening its reputation for delivering business support programmes, winning further funding for programme delivery, and advancing skills and expertise internally.
- Although there is an initially high cost per new-to-the-firm or new-to-the-market products delivered, there is likely to be a time lag between product development and delivery that outlasts the end of the DI4G programme.
- The programme has delivered a good initial return on investment, £1.18 of GVA for every pound spent. And for the reasons associated with the time lag on innovation, this return is also likely to increase after project end.
- A relatively small number of FTEs have been created as a result of the programme, however, 40 per cent of businesses had less than two employees at the start of the DI4G programme. As such, there is limited room for employment growth especially given the economic climate.

6 Assessing value for money

This section provides an overview of the value for money provided by DI4G. The approach to assess value for money is underpinned by three principles, namely: economy (spending less); efficiency (spending well); and effectiveness (spending wisely), as illustrated below in Figure 6.1.

Figure 6.1 Value for Money, adapted from National Audit Office



6.1 Economy

The DI4G programme team are experienced at delivering ERDF projects, so they understand what is required to ensure value for money. There are regular formal board meetings where spend progress is discussed including whether there is headroom or to cut back spending, in addition to regular internal dialogues that are always going on. Spending efficiency is always at the forefront of the programmes team mind given the well organised and detailed nature of ERDF rules, cited to ensure that spend is regularly the topic of informal dialogue.

The DI4G programme team has ensured it has acted economically from start to finish on the programme. Firstly, the DI4G programme team are familiar with the West of England region having worked with numerous SMEs in other ERDF and associated business support programme. As such, they were well placed to contact and market the scheme to SMEs who they know would significantly benefit from the grant support.

From application stage onward, project co-ordinators supported businesses to train them on what is eligible and ineligible. Grant assessors were then significantly less likely to receive ineligible grant applications. Grant assessors are also independent, and applications are passed onto two or three assessors to ensure the most viable applications and businesses most likely to experience growth are selected.

6.2 Efficiency

To measure the efficiency of DI4G, unit costs for individual outputs are calculated based on the total project expenditure to date and the number of outputs achieved. These are then benchmarked against the mean performance of similar national programmes.

As can be seen in Table 6.1 overleaf, the unit cost for the number of enterprises receiving support (C1) is £43k. This is above the mean unit cost from national meta-analysis of £34,000, indicating that DI4G lacks efficiency with respect to its achievement of C1 outputs. It should be noted that in the national benchmarking research, C1 unit costs are aggregated as a single mean unit cost. Similarly, the unit cost performance for the number of new enterprises supported (C5) is also above the national analyses mean of £116,000.

Additionally, a core output to the objective of the scheme is to support innovation with the final aim of delivering new products to the firm/market. Although the DI4G programme appears to lack efficiency in the pursuit of these objectives, (output C28 unit costs are three times the average found by Regeneris and output C29 is double the average), for the reasons laid out in section 3.2, there is likely to be a significant time lag on the delivery of products to the firm or market. As such, we would treat this finding with caution.

Table 6.1: Unit costs of programme expenditure against other benchmarks

Output	Outputs achieved to date	Unit costs against (£4.2m project spend)	Scale Up for Growth unit cost	Regeneris National Research[9]
Number of enterprises receiving support (C1)	100	£42,687.23	£44,581.42	£34,000
Number of new enterprises supported (C5)	22	£194,032.86	£847,047.02	£116,000
Number of enterprises supported to introduce new to the market products (C28)	13	£328,363.30	N/a	£94,000
Number of enterprises supported to introduce new to the firm products (C29)	21	£203,272.52	£66,435.06	£94,000

6.3 Effectiveness

To provide a proxy for effectiveness, 'Cost per Net Additional Job' and 'Cost per £ of GVA' metrics are calculated and presented in Table 6.2 overleaf. The scheme has certainly generated a good economic return. Beneficiary businesses have created a good turnover which has in turn generated a high GVA value. However, employment has been less well supported by the scheme which has in turn generated a high cost per FTE.

This was always likely to be the case given most beneficiaries at the beginning of their involvement in the programme were micro businesses and in their infancy stages. In fact, 40 per cent of respondent businesses had less than two employees at the start of DI4G, presenting limited likelihood for employment numbers to grow dramatically. As such, we would regard the low increase in FTE's as unproblematic and point to the large GVA return of the scheme as the key metric for measuring the effectiveness of the DI4G scheme. Given that there is also further scope for increases in turnover into the future, with the notable scalability of the majority of businesses, we would regard the scheme as highly effective in its inducement of economic outcomes.

[9] http://www.nwueu.ac.uk/NWUEU/PDFs/Regeneris%20Consulting%20-%20ERDF%20Output%20Note%20FINAL%20Version%2018%2012%2013.pdf . England ERDF Programme 2014-20: Output Unit Costs and Definitions report, Regeneris (2013). The mean unit cost for C1 outputs is based on 623 studies. The mean unit cost for C5 outputs is based on 24 studies.

Table 6.2: Cost per Return-on-Investment metrics

Impact metric	Total Investment to date	ROI
32 Net Additional FTE	£4,268,723	£133,397.59 per FTE
£5,020,199.45 Net additional GVA	£4,268,723	£1.18 return in GVA per £1 spent

Summary

- Due to the teams' extensive experience and their effective communication, overall value for money has been delivered according to an assessment across the three underpinning principles: economy, efficiency, and effectiveness.
- Economy has been delivered in a number of ways, namely the time spent with businesses to ensure that applications are eligible to avoid unnecessary time spent in processing applications, and those businesses that are awarded support are most likely to progress and grow.
- When compared to national benchmarks, although the programme appears to lack efficiency in the pursuit of its objectives, the above-average costs of delivering the programme per output are no surprise given the external challenges faced.
- Beneficiary businesses have created a good turnover, resulting in a high GVA value. Yet, employment generated a higher cost per FTE, but given the majority of beneficiaries are micro businesses and in their infancy stages, there is a limited likelihood for employment numbers to grow dramatically during their time on the programme.

7 Conclusions and recommendations

7.1 Conclusions

There is clear evidence of a need to support SMEs in the West of England to innovate and create digital technologies, commercialise them and integrate them into their business strategies. The rationale for DI4G is valid as it creates a unique opportunity for SMEs to access academic and technical expertise, as well as the resource to support them in their ventures.

Governance and management structures underpinning the programme are deemed effective. A core strength of DI4G is the programme team's ability to effectively communicate and their use of knowledge and experience in running successful ERDF funded, and business support programmes. The flexibility and variety of support offered on the programme is a key area of success, with the types of activities seen as particularly helpful in suiting the needs of a diverse community of business sectors and development stages. The bid writing and innovation workshops, along with the Launch Space catered well for businesses in infancy and development stages, whilst the grants were available for SMEs with more developed business strategies. The business-centred approach of the 1-2-1 support was also praised by beneficiaries.

A key challenge during the programme included COVID-19 restrictions preventing face-to-face delivery, resulting in the programme activities quickly changing to online. Delivery did not work as well online, notably the hackathons, and they were not as appealing to businesses as one of the main draws is networking with others. Another challenge is the economic landscape during and post pandemic in causing difficulties for businesses such as obtaining match funding, business growth through sales, and issues with supply chains. Nevertheless, the programme was able to overcome challenges and deliver a successful support programme, which overall was very highly praised by beneficiaries.

The evaluation presents evidence drawn from e-surveys with DI4G beneficiaries and interviews with the programme team The findings of which indicate that the programme is achieving the majority of its intended outcomes. This is particularly evident with regards to an increased ability amongst beneficiary businesses to develop new products and services, foster innovation and deliver new products to market. Further, the positive outcomes and impacts for businesses are likely to continue into the future and consequently providing wider benefits for the West of England region.

7.2 Recommendations

Funders and policymakers

- There is evidence that supporting SMEs within the digital technology sector to develop and grow their businesses through R&D, improve processes, and develop their business skills and knowledge will be significant in contributing to economic growth in the UK.
- There is clear and significant demand for supporting a diverse range of businesses in the digital technology sector, and there should be future dedicated funding provision for this in the West of England and across the UK.
- Employment outputs are less achievable when working with early-stage, micro businesses, and therefore greater refinement of funding instruments could be beneficial in providing more tailored pre-start, start-up and scale-up business support.
- Finding a way of helping business support programmes to record softer outcomes for businesses would help to reflect true successes. However, this should be balanced with creating a non-onerous process to ensure that unnecessary pressure is not placed on delivery and programme team members.

Grantees and similar programmes

- For providers that deliver multiple similar projects, governance arrangements should be carefully considered from a range of perspectives to ensure that they preserve strong lines of communication between those in leadership and management and those on the ground. Combining governance of multiple ERDF projects may offer efficiencies but this should be balanced against the risks of placing decision-making at too great a distance from delivery.
- There is potential for more strategic value creation through best practice and information sharing with other business support providers across the region and across other regions.
- Utilising well-established existing networks to recruit beneficiaries works well to achieve outputs and identify suitable businesses that can benefit. However, equal if not greater consideration should be given to how providers can create new recruitment channels where possible to encourage wide representation both geographically and in terms of EDI.
- Offering one-to-one appointments with staff who are administering business grants is strong and effective practice and should be adopted where possible by similar programmes. It increases the support and advice to businesses, optimises the value achieved from the funds while also encouraging efficiencies in application processing.
- More creative thought could be given to how future programmes could make more impactful contributions towards ERDF horizontal principles. For example, how to better encourage and support minority groups onto and within programmes.
- This report has explained that networking opportunities and support from delivery teams and experts are the main draws for businesses taking part in the Launch Space, plans should continue to have an attractive events and physical spaces to make the offer more attractive to businesses.
- Inductions for incubators should be continued as this report has shown that businesses find it useful, although perhaps more facilitated group work early on would further help businesses to form connections with their peers and delivery staff.
- Delivering workshops face to face generates better outcomes and this should be continued as much as possible, 1-2-1 follow up sessions could continue to be offered to those that need additional support following workshops, as it clearly achieved positive outcomes for businesses.
- There is a clear need for smaller business grants with less stringent eligibility criteria, although there is uncertainty as to whether smaller grants achieve meaningful outcomes. If these are to be offered again, a justification review of the resource required for the team to process these grants would help to decide if microgrants should be considered again.
- Something about the hackathon and co-design with target businesses – perhaps if target businesses had been consulted pre-design of the programme, then it would've become apparent that this was not an appropriate intervention before any resource was invested.