Summative Assessment of Health Innovation Campus

A Final Report by Hatch
June 2023

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HATCH

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Executive Summary

i. Hatch was commissioned by Lancaster University to undertake a Summative Assessment of the Health Innovation Campus (HIC) project. The HIC project is required, as part of its grant funding requirements, to complete a Summative Assessment for the project prior to closure.

ii. The ERDF-funded HIC project focused on driving cross-sector SME innovation in healthcare by investing in the construction of the Health Innovation One (HI One) building and delivering a lead-in business support programme. Originally, the HIC was a £14.1m project that was to be delivered from January 2018 to January 2021. A Project Change Request (PCR) was approved in March 2021 that increased the total project budget to £16.3m and extended the delivery period to June 2023.

iii. Hatch undertook an Interim Evaluation of the HIC (June 2021) that reviewed initial progress up to the end of Q4 2020 and provided recommendations form the remainder of the project. The final Summative Assessment builds on the findings of the Interim Evaluation.

iv. The Summative Assessment explores the extent to which the project has followed the approach set out by its logic model to deliver impact. This is consistent with the requirements of the ERDF programme, the Department of Levelling Up, Housing and Communities (DLUHC, previously Ministry of Housing, Communities and Local Government) guidance on the preparation of the Summative Assessment[1] and other associated guidance.

v. The assessment draws on a variety of information including:

- Analysis of the HIC project performance, monitoring data and project documents;
- Consultations with external project stakeholders and delivery staff;
- A survey of beneficiaries;
- Case studies undertaken with input from beneficiaries.

Project Relevance and Consistency

vi. The rationale for public sector intervention was based on sound market failure principles. Overall, the project was well-designed to meet its core rational and objectives. However, the original output targets were unrealistically high, especially the business collaborating with a research entity (C26) target. This was initially set at the same level as the businesses supported (C1) target due to a misunderstanding about the type of support qualifying as a C26 business assist under ERDF guidance. Delivery staff noted that the ambitious targets set at the outset of the project had persistent implications in terms of project delivery and performance.

vii. The strategic and economic landscape changed radically since the project's inception. The project remained strategically important, as there was an increasing emphasis on innovation and supporting the healthcare sector by both local and central government. As such, the University remains committed to continue delivering HIC based activities after the completion

[1] European Union, Summative Assessment Guidance: ESIF-GN-1-033, July 2022.

of the project. However, the form and scale of these activities will depend on funding availability post-ERDF.

viii. The Covid-19 pandemic, the EU Exit and the cost of living crisis had a drastic impact on the economic landscape in which the HIC was delivered. The change in economic conditions had a different impact on different aspects of the project. Accelerated digital technology uptake during the pandemic meant demand for technical digital support remained healthy throughout the project. However, the SMEs' priorities, business support needs and their capacity to engage with projects like the HIC changed post-pandemic, which had a negative impact on workshop engagement. Moreover, there was a permanent shift in work patterns, with more people being equipped to work from home. This translated into lower demand for hot desk space.

ix. Given the challenges experienced because of the economic climate, a Project Change Request (PCR) to extend the delivery period to June 2023 was approved in March 2021. The project team remained proactive in its efforts to ensure continued project relevance through the new strands of support introduced and adapting the client journey.

Progress against Contractual Targets

x. The capital element of the project was completed at the time of the Interim Evaluation (June 2021), which provides an in-depth assessment of progress in this respect. As such, the Summative Assessment focuses on progress with respect to the revenue element of the HIC project.

xi. The project incurred £3m in revenue expenditure as of Q1 2023, which accounts for 73% of the revised revenue element budget, bringing total project spent to £15.9m (93% of the revised total budget). Performance has been lagging in terms of output targets met, except in the case of businesses introducing new to market products (90% of the revised C28 target achieved).

xii. Delivery staff identified overambitious target setting as a key driver of underperformance, noting that although the revised targets were more realistic, they remained stretching. For instance, they highlighted that although only 51% of the C1/C4 target was achieved as of Q1 2023, a significant number (229) of businesses were supported. They also noted the important impact of the Covid-19 pandemic and subsequent economic climate on workshop engagement, and hence C1/C4 output achievement. The specialist business support provider sub-contracted to support workshop delivery noted similar difficulties in consultations.

xiii. The technical digital support performed strongly, leading to C26 outputs. However, this was initially the only avenue through which a C26 business assist could be delivered. As such, as of Q1 2023, 16% of the revised C26 output target was achieved. The new strands of support introduced to support C1 and C26 output achievement started yielding outputs in Q1 2023. Some consultees noted that introducing the new strands of supports was fairly straightforward but required time as due process had to be followed.

xiv. With the exception of C28 outputs, the project does not expect to achieve its targets by project closure. However, the delivery team has been working towards minimising the expected shortfall. The new support strands, a healthy pipeline of technical digital support projects and continued efforts to promote workshops are expected to contribute towards achieving additional outputs. It is expected that the project will be able to meet 63% and 27% of its C1/C4 and C26 targets respectively.

Delivery and Management Performance

xv. The assessment concludes that the HIC project was delivered and managed well overall, despite the testing economic environment instigated by the Covid-19 pandemic. The key findings of this section include:

- Leadership changes led to the dissolution of the Health Innovation Campus Board, which put some strain on the project's internal governance processes. The project was subsumed in the Research and Enterprise Services of the University. The actions taken to restore sound internal governance process were effective. Proactive efforts were made to better integrate the Faculty of Health and Medicine, which was identified as an area of improvement in the earlier delivery phase of the project.
- Although there were no formal external governance arrangements in place, the project engaged informally with a range of stakeholders. Consultees noted that the HIC provided a focal point for wider conversations with stakeholder, in additional to unlocking a decade's long investment, which highlights its strategic added value.
- Marketing and engagement was an area it struggled with. The challenges experienced can be largely attributed to external factors, primarily the Covid-19 pandemic. However, internal factors also played a role, most notable among them being limited staff capacity. Despite these challenges, the project was successful in attracting a significant number of health and wellbeing businesses. Some consultees noted that market penetration could be improved in terms of businesses that have the potential to diversify their operations in the health and well-being domain.
- The project's delivery model evolved in line with beneficiary needs. The additional strands of support included student placements, the Health Innovation Catalyst programme, and the HI Community support offering, which included a fully funded hot-desk space to encourage businesses into the HI One building. Moreover, the client journey was adapted so that beneficiaries could directly access the most relevant form of support, without attending a workshop first. Some consultees noted that the delivery model became more robust as a result of these changes.

Outcomes, Impacts and Value for Money

xvi. Survey findings indicate that the HIC project has successfully supported a good share of its beneficiaries to make progress towards overcoming some of the key barriers they were facing and achieve their main goals. The findings suggest the project has been important to supporting businesses:

- On average across support types, 69% of respondents felt the support was beneficial or very beneficial.
- Over two thirds (67%) agreed or strongly agreed felt that the support accessed through the HIC increased their knowledge and understanding of the topics covered.
- On average across support types, 71% of respondents said that the support played a big role or was entirely responsible where progress in addressing growth barriers was made.

xvii. In line with these findings, a high (75%) proportion of survey respondents indicated that they were satisfied or extremely satisfied with the support received from the project. Beneficiary case studies highlight the positive experience and the benefits of working with the project. Key points

include the use of space in the HI One building, networking and mentorship opportunities, additional staff capacity in the form of an intern and prototype development that can help unlock funding.

Outcomes

xviii. Survey findings show that there is good alignment between beneficiaries' main goals for seeking support and the types of outcomes outlined in the project's logic model. Some of the commonly seen outcomes following participation in the project included:

- Introducing new to market products, process and services
- Collaborating with research institutions
- Adopting a new growth strategy or business model
- Improved innovation capabilities.

Impacts

xix. An indicative impact assessment draws on findings from the survey of beneficiaries to assess the extent to which the project has contributed to an increase in Gross Value Added (GVA) and employment across the Lancashire LEP area. It found that based on the number of beneficiaries supported by project closure, the HIC will have created 27 net additional jobs and £765,600 in net additional GVA, including persistence effects over the next three years. However, there is a very high degree of uncertainty associated with these estimates, as they are based on a small sample of responses. Moreover, limitations associated with the timing of the analysis are likely to have led to underestimation of impacts.

xx. Given the inconclusive findings of the quantitative assessment, the value for money analysis has been supplemented with a cost efficiency review, as per ERDF Summative Assessment Guidance requirements. This analysis suggests that the HIC project delivered outputs at a reasonable cost, and as such represent good value for money, despite the value for money implied by the indicative impact assessment being below one. Additional time is required to fully understand the impacts of the project. This is further supported by the survey findings, in that the impacts associated with the beneficiary outcomes identified materialise over longer timespans.

Recommendations

xxi. The evaluation identified the following recommendations for the grant recipient, those designing similar interventions and policy makers:

1) Sense checking output and expenditure targets at the project planning stage to ensure they are realistic and that there are sufficient levers of support through which they can be achieved;

2) Securing buy-in from all internal, but also external, stakeholders at the project design stage;

3) Remaining responsive to business needs by building on the lessons learned through HIC delivery, including beneficiaries lower propensity to engage in workshops within the current economic climate, high demand for student placements and shifting working patterns effect on demand for workspace;

4) More proactive monitoring and promotion of outcomes related to Horizontal Principles;

5) Long-term tracking of beneficiary outcomes to collect the information necessary to accurately reflect the value for money of the HIC project.

1. Introduction

1.1 Hatch was commissioned by Lancaster University to undertake a final Summative Assessment of the Health Innovation Campus (HIC), a £14.1m ERDF-funded project focused on driving cross-sector SME innovation in healthcare. The project was initially designed to be delivered over a 3-year period from 1st January 2018 until 31st January 2021 (as outlined in the original Grant Funding Agreement).

1.2 The HIC's overarching objective was to facilitate effective mechanisms that enable innovative applications of new healthcare products, processes, and services (with a focus on promoting healthy aging and illness prevention), and in this way to also support local healthcare and supply chain businesses and deliver economic benefits.

1.3 The project contributed towards the capital development of the initial innovation building of a new Health Innovation Campus at Lancaster University and delivered a lead-in revenue project designed to foster collaboration between Lancashire-based SMEs and the University. It covers phase one of planned three-phased 15-20 years development of a wider Health Innovation Campus.

1.4 The purpose of conducting a Summative Assessment is to gain an independent understanding of the project performance, impacts and value for money, in addition to exploring the mechanisms through which these impacts have been achieved and insight into what and why delivery approaches work. This includes reviewing any examples of best practice, challenges experienced and lessons which can be applied in future projects.

1.5 An Interim Evaluation of the HIC (June 2021) reviewed initial progress (up to the end of Q4 2020) and provided recommendations for the reminder of the project. The final Summative Assessment builds on the findings of the Interim Evaluation. While the Summative Assessment seeks to address the key evaluation questions outlined in Figure 1.1 overleaf, its focus will be the questions demarcated in italics.

1.6 The Summative Assessment is structured to address to the ERDF Summative Assessment Guidance and the requirements of the brief, as indicated in the remainder of this chapter.

Figure 1.1 Summary of Key Evaluation Questions

Relevance and Consistency	+ What was the intervention logic and market failure rationale for the HIC? + How does HIC align with complementary projects and the prevailing policy agenda? + Has the project remained relevant and consistent throughout the delivery period, including in response to any changes in economic context and the emerging regional and national policies?
Progress	+ What progress has HIC made towards the contractual output and expenditure targets? + What are the reasons for any areas of over or under performance? + *What is the expected lifetime performance against targets?* + To what extent has the project contributed towards the horizontal principles?
Delivery and Management	+ Are the right governance and management structures in place and do they operate in the way they are expected to? Has the project been well managed? + What progress and achievements are being captured? + How is HIC being marketed and is it engaging with and selecting the right beneficiaries? + How are HIC activities perceived by stakeholders and beneficiaries? What are their perceptions of quality and delivery? + Are there any examples of best practice in the way the project is being delivered and managed? + What challenges have been encountered and how have delivery and management sought to mitigate the impacts of these?
Impacts	+ What evidence is there of the HIC is achieving its intended impacts? + *Is the HIC expected to achieve what it set out to?* + *What has been the economic impact of supported activities to date, and expected in future?* + *What are the main sources of Strategic Added Value that the HIC has created?* + *Is there any evidence of any additional unforeseen benefits and impacts?*
Value for Money	+ *What is the cost effectiveness of the HIC in light of intended and unintended outcomes and impacts (and hence value for money)?*
Lessons Learnt	+ What are the strengths and weaknesses of the project? + Are there any lessons to be learnt from current delivery, which could be implemented throughout the remainder of the project? + *Are there lessons learnt from the impacts that have been achieved through the project's intervention?* + *What are the implications for the planning of future related activities?*

Source: Hatch has drawn on the evaluation questions outlined in the HIC Summative Assessment Plan and supplemented these with additional questions which will provide further details required to meet the requirements of the summative assessment guidance.

Evaluation Approach

1.7 The Summative Assessment adopts a **Theory of Change approach** (which relies on the logic model and self-reported methods including consultations and a beneficiary survey which were carried out as part of this report) which is consistent with the requirements of the ESIF Programme, the Department for Levelling Up, Housing and Communities (DLUHC, previously Ministry of Housing Communities and Local Government) guidance on the preparation of the Summative Assessment and other associated guidance.

1.8 DLUHC have provided guidance on the preparation of the Summative Assessment which states that the report must cover the following five themes. These were also tailored to the project context and all strands of research were synthesised to clear and well evidenced conclusions and lessons tailored to internal and external audiences.

- **Relevance and consistency:** a review of project design and context which fully and critically explores all aspects of the project's intervention logic and market failure rationale.
- **Progress against the project's contractual targets**: considering performance against expenditure profile, output targets and horizontal principles and identifying the factors which explain performance.
- **Experience of delivering and managing the project:** analysis of the effectiveness of project implementation to build a picture of how the project was delivered and managed, identifying what has worked well and less well.
- **Analysis of outcomes and impacts attributable to the project**: providing an initial summary of project impacts, harnessing qualitative insights from SME beneficiaries, and setting out the extent to which additionality is being achieved.
- **Cost effectiveness and value for money:** modelled using self-reported data from the beneficiary survey to provide a clear quantitative assessment of the return on investment (expected and actual) associated with the project.

1.9 These requirements were met through an evaluation methodology which has used a combination of quantitative and qualitative research methods. The evaluation drew on a variety of relevant information, data and qualitative insights including:

- **A review of background documentation:** and approved project logic model, submitted as part of the ESIF bid, to understand in detail and assess its continued relevance.
- **Detailed analysis of the project monitoring data:** captured by the team (including claims data, in addition to beneficiary monitoring data) and via beneficiaries to assess performance against financial and output targets.
- **A review of delivery context:** encompassing consultations with delivery partners and project stakeholders, capturing perspectives on project design, delivery and the mitigation of challenges, governance, and impacts.
- **Beneficiary consultation:** including a web-based SME survey and in-depth interviews with a sample of beneficiaries. This will explore beneficiary motivation for seeking support, views on experience and quality of intervention, outcomes, impacts (actual and expected), attribution and views on how the project could evolve better to meet their needs and support growth ambitions.
- **Quantitative impact analysis:** to obtain a more granular view of the economic impacts experienced by beneficiaries by grossing up impacts of the surveyed businesses, making gross-to-net impact calculations and assessing value for money for the net impacts achieved.

1.10 Although use of self-reported beneficiary surveys has its limitations as a means of estimating economic impact due to the potential for businesses to incorrectly recall of misreport the changes in business performance and the contribution of support, our evaluation scoping concluded that this was the most appropriate method, given limited opportunity to use counterfactual methods.

1.11 This will be supplemented by a small selection of case studies which will provide additional qualitative insight that explores in more detail the complexity of the mechanisms through which business support can generate and sustain impacts.

Dissemination of the Summative Assessment

1.12 Dissemination of the Summative Assessment key findings is essential for transparency and accountability purposes, in addition to ensuring that the findings are drawn on to inform the remaining delivery of the project, and the design, delivery and strategic direction of future projects.

1.13 Lancaster University has indicated in the HIC Summative Assessment plan that the findings of the Summative assessment will be shared with a variety of stakeholders in a number of formats, such as print, on-line and through local media channels. Stakeholders include funding bodies, University Senior Management, project delivery staff, beneficiaries, the academic community, and business networks. Findings will be shared with the following stakeholders (although this is intended as a general guide and there could be additional types of stakeholders):

- DLUHC
- the Lancashire Local Enterprise Partnership
- Lancaster University Senior Managers and project team
- Shared learning networks such as PraxisAuril
- Research Councils (RCUK) and Innovate UK.

Structure of the Evaluation Report

1.14 The Summative Assessment report is structured around the following topics:

- **Section 2: Project Context,** this will consider the project logic model, alongside the economic and policy context in which the project was designed, including the nature of market failure, project objectives and rationale for the delivery approach. We will also consider the changes in economic and political environment which may have impacted the projects continued relevance and delivery rationale.
- **Section 3: Progress Against Contractual ERDF Targets,** this will consider the progress with project implementation in terms of performance against expenditure profile, output targets and horizontal principles.
- **Section 4: Delivery and Management Performance,** this will provide a more qualitative analysis of the implementation of both the capital and revenue elements of the project, the project's delivery performance and consider the challenges and achievements in terms of different elements of project delivery.
- **Section 5: Outcomes and Impacts,** this will set out the progress that the project has made towards the outcomes and impacts set out in the project's logic model and provides estimates of the gross and net additional economic impact. We will also assess the project's value for money, drawing on the impact analysis and looking at comparisons against benchmarked business support projects.
- **Section 6: Conclusions and Recommendations,** this section will synthesise the evaluation findings drawing on evidence from all research strands, outlining the conclusions that can be drawn and emerging recommendations to inform the remaining delivery period.

2. Project Context

2.1 This section reviews the economic and policy context in which the Health Innovation Campus (HIC) was designed and explores the nature of the market failure it was seeking to address, the project objectives and rationale for the delivery approach adopted. It includes critical analysis about the appropriateness of the project design, given its objectives.

2.2 It then reviews changes in the economic and policy environment which may have impacted on the delivery of HIC, assessing the continued relevance and consistency of the project in light of any changes that have occurred during its delivery period.

2.3 The analysis in this section has been informed by:

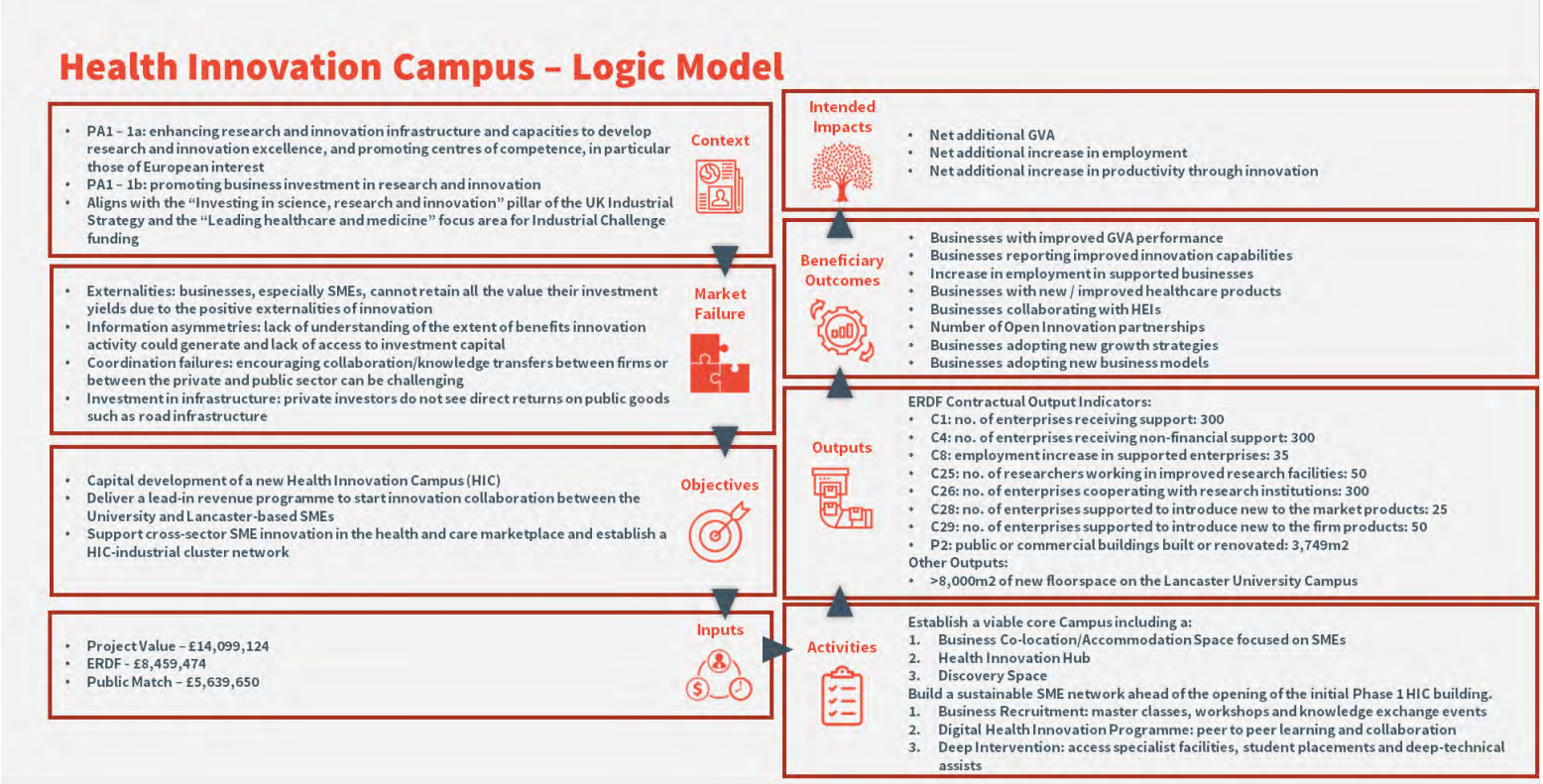
- A review of background documents for the project, including the project's original ESIF application form and other internal project management and delivery documents
- Desk-based analysis of relevant social and national policy documents and socioeconomic data
- Interviews with members of the project management and delivery team (a full list of consultees is provided in Appendix A).

2.4 This section draws on HIC's ESIF application form and logic model and as such reflects the project's original expectations and vision. Since the funding agreement was signed, there have been changes in the way the project has been delivered in practice. These changes and the rationale are analysed further in sections 3-5.

Project Logic Model

2.5 The intervention logic underpinning the original need for HIC is presented in Figure 2.1. The model traces the project's original rationale to its intended outcomes in a sequential manner.

Figure 2.1 HIC – Logic Model



Source: Hatch, drawing on HIC Full ESIF Application Form & HIC Summative Assessment Logic Model

Strategic Context

National Level

2.6 The Health Innovation Campus (HIC) was delivered under ERDF Priority Axis 1 of the 2014-20 programme: Promoting Research and Innovation, and addressed the following investment priorities:

- Priority 1a: Enhancing research and innovation infrastructure and capacities to develop research and innovation excellence, and promoting centres of competence, in particular those of European interest.
- Priority 1b: Promoting business investment in research and innovation.

2.7 As such, the programme responded to the investing in science, research, and innovation pillar of the **UK's Building Our Industrial Strategy** (BEIS, 2017). It was also in line with the leading-edge healthcare and medicine focus area for Industrial Challenge funding.

Regional and Local Level

2.8 An **Independent Economic Review of the Northern Powerhouse** by SQW identified Health Innovation as one of four prime capabilities shaping its distinctive offer.

2.9 The **Northern Health Science Alliance (NHSA)**, a partnership of northern top research universities, Academic Health Science Networks, and research-intensive NHS Trusts, expressed support for the programme, recognising the potential to establish HIC as key feature of health innovation infrastructure in the North of England.

2.10 The HIC demonstrated clear alignment with several local priorities outlined in policy documents such as:

- the **Lancashire Strategic Economic Plan (SEP),** recognising the significance of the health sector and prioritising HIC as one of four main initiatives.
- the **Lancashire ESIF Strategy,** highlighting the HIC as an opportunity to promote Lancashire's ability to capitalise on its growing healthcare sector and to bring academic-led innovation to the market. HIC would further the established Lancaster University Health Hub partnership with the NHS on co-creating new products and services to address key clinical/NHS challenges.

2.11 The HIC project also aligned with the local growth priorities within the call specification of:

- developing innovation assets, including premises and infrastructure, in identified sectors and ensuring Lancaster's SMEs have access to these resources.
- improving Higher Education Institutions (HEIs) concentration and capacity to support SME innovation.

Project Need and Rationale

2.12 The Application Form referred to the UK's under performance in terms of introducing SME product or process innovation[2]. It also pointed to the healthcare system being increasingly under pressure from a growing ageing population with underlying health condition.

[2] Fixing the Foundation, Creating A More Prosperous Nation, 2015

2.13 Additionally, it recognised the following challenges in the Digital Health sector presented Lancashire with opportunities:

- **Resource efficiencies, as ICT improves healthcare methods –** the European e-Health Action Plan 2012-20 estimated that the implementation of ICT solutions in the healthcare sector was lagging at least 10 years behind.
- **Remote monitoring –** an increasingly ageing population[3] and the rural character of the North West of England[4] transpose into growing demand for assisted living technologies. The market's worth was estimated to reach $500m by 2015 in Europe, with the UK market's value and market pull placed at c. $141m[5].
- **Migrating more technologies into the digital health space –** increasing demand for digital healthcare solutions was expected to lead to an organic migration of software and technology development businesses in markets associated with healthcare.

2.14 A mapping exercise of existing provision was provided in the full ESIF application form which identified existing schemes, what they delivered and how HIC provided an additional and/or different offer. Existing provision included:

- **Healthcare Business Connect Lancashire (HBCL)** which focused on the later stages of the product development process (market access, procurement, and adoption), whereas the HIC focused on technical innovation and facilitating Open Innovation in health.
- **Chorley Digital Health Park (renamed to Strawberry Fields)** was due to open in 2018 at the time the Application was written. It comprised of light industrial uses, in addition to office use. Thus, the facility was deemed complementary, rather than competing with the HIC.

Market Failures

2.15 The capital strand of the HIC project was designed to address the following forms of market failure:

- **Public goods:** private investors do not see direct returns on public goods such as investment in road infrastructure. By funding road infrastructure through phase 1a delivery, the programme aimed to unlock private sector investment to support the delivery of subsequent phases.

2.16 Note that it was originally envisaged that a mix of EFDF, LGF and Lancaster University funds would go towards the construction of a new building as well as the associated works. Specifically, the project was seeking funding for road infrastructure to facilitate access to the greenfield site for development.

2.17 However, MHCLG indicated that only the direct SME-relevant elements of the HIC project would be eligible for ERDF funding. Hence, road access was not funded as part of the ERDF project. A combination of LGF and Lancaster University financing was secured instead.

[3] European e-Health Action Plan, 2012-20

[4] Lancashire Strategic Economic Plan: A Growth Deal for the Arc of Prosperity, 2014

[5] The Smart City Market: Opportunities for the UK, BIS Research Paper 136, 2013

2.18 The lead-in revenue element of the HIC project was designed to address the following forms of market failure that lead to underinvestment in innovation activities, especially where SMEs are concerned:

- **Externalities:** businesses cannot retain all the value their investment generates as privately funded innovation activity leads to wider societal benefits (positive externalities). This challenge is more acute for SMEs as they are less able to protect the intellectual property their innovation yields.
- **Information asymmetries:** lack of understanding of the extent of benefits innovation activity could generate and lack of access to investment capital due to the inherently uncertain nature of returns from innovation and R&D activity.
- **Coordination failures:** encouraging collaboration/knowledge transfers between firms or between the private and public sector can be difficult to coordinate and achieve in practice.

Project Objectives

2.19 The overarching objective of the HIC was to facilitate effective mechanisms that enable innovative applications of new healthcare products, processes, and services, and hence support local businesses and deliver economic benefits.

2.20 The creation of a world class centre of excellence in health innovation that substantially promotes regional economic development was identified as the project's ultimate objective in the full ESIF application.

2.21 In the medium-term, HIC aimed to bring together innovators, heath care providers, academics, and users by providing the necessary infrastructure, research expertise and business support. Moreover, by fostering a collaborative environment that offered access to physical space and technology, equipment, and expertise, it hoped to de-risk early-stage innovation and encourage private sector investment thus accelerating SME innovation and knowledge sharing.

2.22 Specifically, the HIC logic model set out the following objectives:

- to increase the ability of Lancashire SMEs to develop growth strategies and new business models
- to enhance the innovation capacity and capability of SMEs in Lancashire
- to reduce knowledge gaps amongst Lancashire SMEs to support increased innovation through recognition of opportunities presented by the digital and preventative health markets
- to increase the number of SMEs in Lancashire developing new/improved health products, processes, and services
- to increase long-term collaboration between Lancashire SMEs, Lancaster University academics, business support programmes and health partners, stimulating open innovation and the co-design of solutions enabled via Deep Trust Networks, Peer to Pear learning and creation of a Community of Practice around health challenges.

Project Activities

2.23 The project contributed towards the capital development of the initial innovation building of a new HIC campus at Lancaster University and delivered a lead-in revenue project designed to foster collaboration between Lancashire-based SMEs and the University.

Capital Investment

2.24 The project was designed to contribute towards the capital development of the initial innovation building of a new HIC campus at Lancaster University. This represented phase one of the three-phased 15-20 years development of a wider HIC campus, expected to amount to an investment of £170m in total.

2.25 The £41m cost of the construction of the core campus (of which £12.1m was accounted for by ERDF capital funding and Lancaster University public match outlined in the HIC ESIF application, £17m was accounted for by LGF and the remainder by wider Lancaster University funding) aimed to deliver c. 8,000 sqm of floorspace (of which 3,749 sqm would be ERDF-eligible space) and the construction of a new road and associated infrastructure on the green field site to facilitate access and groundwork. Once completed, the facilities would be used to accommodate delivery of the lead-in programme of innovation support.

2.26 The HIC building was to consist of four floors. Floors A and B would accommodate all the ERDF eligible space, orientated towards SME activities. More precisely, the schematics differentiate between ERDF ineligible spaces, wholly ERDF eligible spaces and shared/flow spaces (such as corridors). The latter were deemed proportionally eligible based on the ratio of eligible and ineligible activity space. As such, 93% (1,953m^2 of 2,089m^2) of Floor A and 69% (1,470m^2 of 2,135m^2) of Floor B were determined as ERDF eligible.

2.27 In a subsequent configuration of the building[6], Floor A still primarily consisted of partially eligible/eligible space, with substantial portions of Floor B also being designated as partially eligible/eligible. However, Floor C also featured some partially eligible/eligible spaces. Meanwhile, Floor D did not feature any ERDF eligible spaces, but it did contain partially eligible spaces.

2.28 Specifically, the building was designed to include the following spaces:

- **Business Co-location/Accommodation space focused on SMEs (floors A/B)** that would provide flexible co-location and growth space for businesses to encourage interdisciplinary collaboration and to help them leverage expertise from the university and its affiliated networks.
- **Health Innovation Hub (floors A/B)** consisting of offices, commercial laboratories, a centre of excellence for specialist care training providers, shared space and collaborative break-out areas that would be open to SME collaborators (e.g., academics, students, public sector, or other organisations).
- **Discovery Hub (floors C/D)** consisting of innovation active space to enable the discovery of research insights that can be used in the innovation and co-location spaces. This area was planned to accommodate the re-located Faculty of Health and Medicine, thus co-locating staff alongside industrial partners for the first time and strengthening the University's profile in health and medicine.

[6] Source: Hatch Buildings Overview PowerPoint, provided by Lancaster University in February 2021

2.29 With regards to the management of the new building, a Health Innovation Campus Development Board was established. It provided strategic oversight of the HIC during the delivery and operational stages. The Board consisted of senior members of organisations/interests including Lancaster University, Lancashire LEP, health/care sector representatives and private sector organisations. It was led by a non-executive member of the Council of the University who has a health-related background. The following three groups support the Board in different aspects of day-to-day governance of the HIC:

- Health Innovation Development Group
- 'Task and finish' Operation Steering Groups
- Project Development Group / Project Executive.

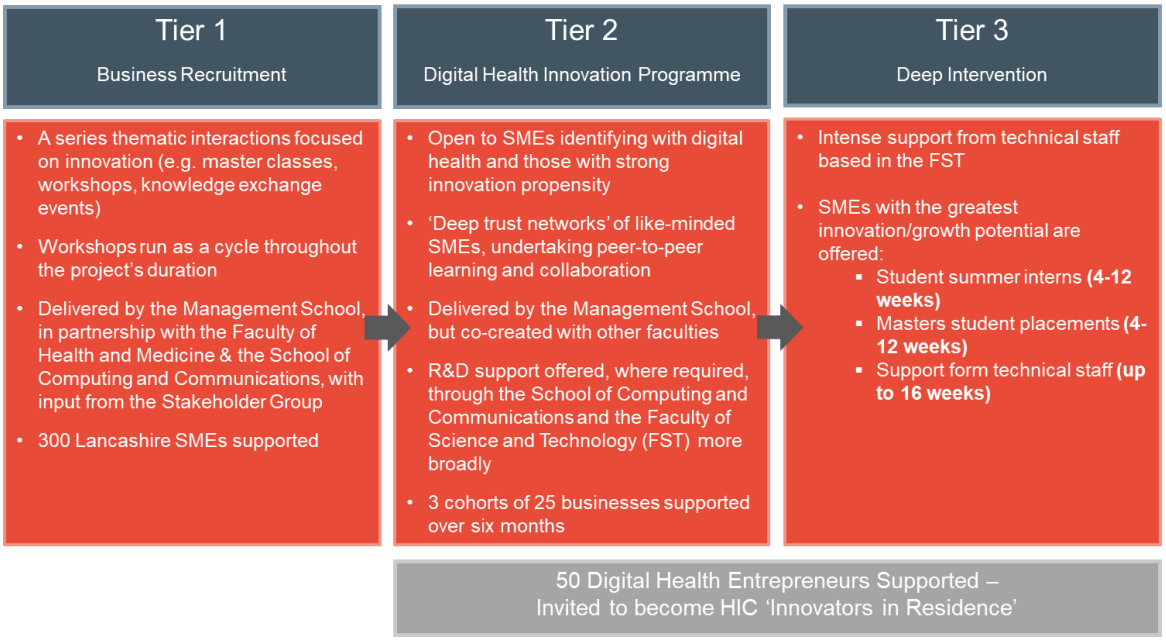
Lead-in programme of innovation support

2.30 The lead-in programme of innovation support was designed to be delivered simultaneously with the capital build construction timetable, in order to establish a sustainable network of SMEs and facilitate identification of potential tenants ahead of the opening of the HIC building. Revenue activities were designed in line with 'open innovation' principles.

2.31 The programme was designed to provide a flexible suite of support services catering to the needs of cross-sector Lancashire-based SMEs that were at different stages of their innovation journey. Namely, it aimed to attract businesses operating within the healthcare sector as well as businesses operating across other sectors, particularly those with diversification potential or offering products, services and/or processes that could be modified for use in healthcare settings (e.g., advanced manufacturing, digital).

2.32 The project adopted a graduated three tier approach to SME support, ranging from introductory and awareness raising workshops, through to more in-depth peer-to-peer learning and collaboration, leading to tailored technical 1-2-1 assistance to develop longer term R&D partnerships. Figure 2.3 below summarises the client journey, as described in the original Application Form.

Figure 2.2 The Client Journey



Source: Application Form

2.33 The Internal Review of Delivery for 2018-20 elaborated on the gateway criteria of the initial diagnostic used to establish the appropriate support entry point for eligible businesses. The process was managed with a bespoke CRM system, which generated a traceable pipeline and dashboards for the related outcomes.

2.34 Table 2.1 summarises the target profile and acceptance criteria at each stage of support, with eligible businesses that were not yet able to demonstrate a concrete idea for a new product, service or process joining the innovation stage (or being referred to a more relevant programme at the University and elsewhere). These criteria captured the expectation that beneficiaries move along their Technology Readiness Journey (TRL) as they access more intensive support types.

Table 2.1 Gateway Criteria

Activity	Offering	TRL
Innovation Sessions	Early-stage idea development	1-2
Innovation Programme	Idea to product/process/service	2-5
Digital Prototyping	Prototyping	2-7

Source: HIC ERDF Revenue Programme: Internal Review of Delivery 2018-20

2.35 Lancaster University was the accountable body and responsible for the overarching project management. Delivery responsibility was shared across faculties including:

- the Faculty of Health and Medicine
- the Faculty of Science and Technology
- Lancaster University Management School.

2.36 Operational management fell under the direction of the Director of Enterprise and Innovation and would be supported by the central Research & Enterprise Service Division's Project Support Unit (PSU), headed by the University's Knowledge Exchange Administration Manager. The PSU

was responsible for monitoring all ERDF delivery at Lancaster. It was independent from the delivery and administration of HIC.

Inputs

2.37 The total project value, as outlined in the ERDF Grant Funding Agreement (October 2017), was £14.1m of which 60% was ERDF funded and the remainder was match funded by Lancaster University. It is worth noting that the HIC was also in receipt of funding from the Local Growth Fund, however this is recorded separately from an ERDF perspective.

2.38 In terms of the wider funding for the HIC, the total cost for the delivery of the core campus including site access (£41m) and revenue activities (£2m) sums to £43m of which:

- £14.1m funding has been secured for the ERDF-eligible aspects of the HIC including SME-relevant rooms of the building and SME revenue activities (£8.5m ERDF and £5.6m Lancaster University funding)
- £17m Local Growth Funding (LGF) has been secured to help deliver the non-ERDF eligible spaces in the building and site access
- £11.9m from Lancaster University has been secured to contribute towards all elements.

2.39 In terms of the ERDF HIC project, evaluated in this report, funding for capital development amounted to £12.1m (86% of total funding), with the remaining £2m (14%) invested in the revenue aspects of the project. In terms of the ERDF capital funding, this was only oriented towards certain elements of the building (i.e., SME orientated rather than academic).

Table 2.2 Costs and Funding

	ESIF	Public Match (Lancaster University)	Private Match	**Total**
Capital	£7,259,474	£4,839,650	£0	**£12,099,124**
Revenue	£1,200,000	£800,000	£0	**£2,000,000**
Total	**£8,459,474**	**£5,639,650**	**£0**	**£14,099,124**

Source: ERDF Grant Funding Agreement, October 2017

2.40 The expenditure plan of the revenue strand of the project assumed the following itemisation of costs.

Table 2.3 Breakdown of Revenue Expenditure

Category	**Expenditure**
Salaries	£1,511,304
Flat Rate Indirect Costs	£226,696
Other Revenue	£98,500
Other Costs	£38,550
Marketing	£35,300
Consultancy	£89,650
Total	**£2,000,000**

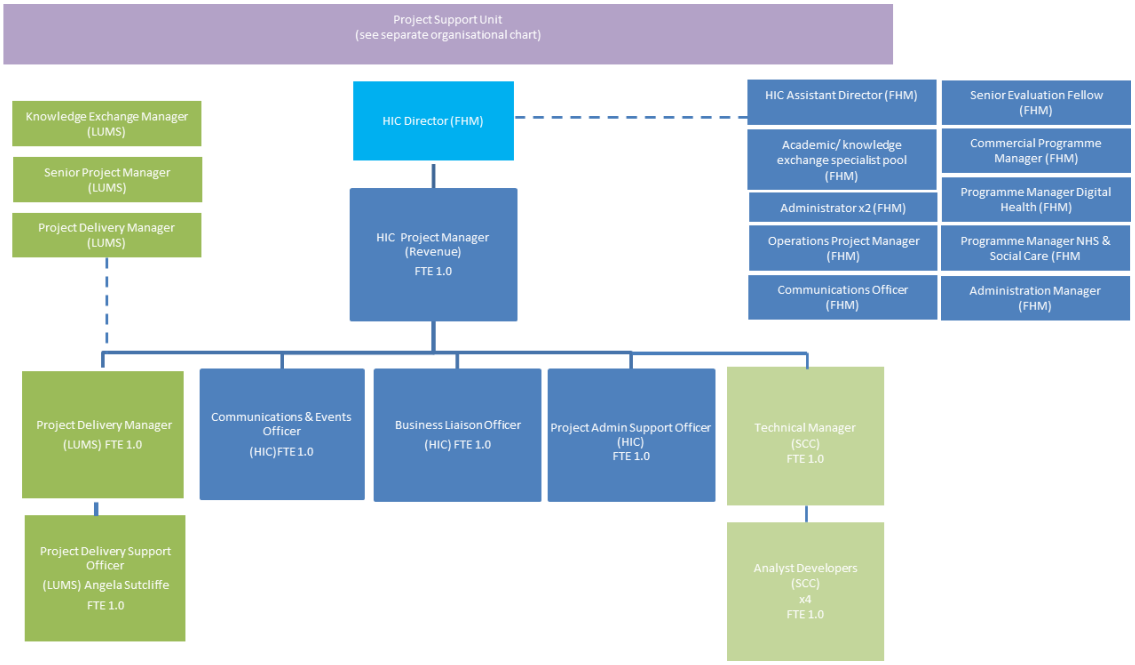
Source: ERDF Grant Funding Agreement, October 2017

2.41 A large proportion of the costs was project staff salaries. This covered the cost of a proportion of the time of various project and Lancaster University staff members including:

- Project Lead
- Project delivery team
- Lancaster University workshop and events delivery team
- Lancaster University Technical delivery team
- Academic and delivery staff
- Project Support Unit.

2.42 Several of these staff members worked part-time on the project and many were directly working within other European Funded projects delivered by Lancaster University. Figure 2.3 shows the management structure of the HIC project team.

Figure 2.3 HIC Project Organogram



Source: Lancaster University, 2021 Note: Lancaster University Management School (LUMS), Faculty of Health and Medicine (FHM), School of Computing and Communications (SCC)

2.43 The key milestones reported in HIC's Grant Funding Agreement were as follows:

- Start date: 1st January 2018
- Agreed financial completion date: 31st March 2021
- Agreed activity end date: 31st January 2021
- Agreed project practical completion date: 31st January 2021.

Outputs, Outcomes and Impacts

2.44 The contractual output targets for the project were established based on data from previous projects, as the project's revenue activities evolved from the technical development-based delivery adopted in the past. Output targets were adjusted to account for adjustments to the

delivery model, namely the use of agile teams working with a business for longer. To establish deliverable numbers, Lancaster University considered the resource available, the timescale of the project and the type of intervention. As such, the targets were considered realistic at the time that the project was designed. With regards to the capital strand, the ERDF eligible share of floorspace was ascertained by carefully considering different demands expected for the total space available and allocating areas to meet the required needs.

2.45 The targets set out in the original application form are as follows:

Table 2.4 Original Output Targets

Output	Target
C1: Number of Enterprises Receiving Support	300
C25: Number of Researchers Working in Improved Research Infrastructure Facilities	50
C26: Number of Enterprises Cooperating with Research Institutions	300
C29: Number of Enterprises Supported to Introduce New to the Firm Products	50
C28: Number of Enterprises Supported to Introduce New to the Market Products	25
C8: Employment Increase in Supported Enterprises	35
P2: Public or Commercial Buildings Built or Renovated (sq.m.)	3,750
C4: Number of Enterprises Receiving Non-Financial Support	300

Source: Application Form

2.46 The HIC logic model identified the following intended outcomes:

- businesses with improved GVA performance
- businesses reporting improved innovation capabilities
- increase in employment
- businesses with new/improved healthcare products, processes or services
- businesses collaborating with HEIs
- number of Open Innovation partnerships
- businesses adopting new growth strategies
- businesses adopting new business models.

2.47 Although not listed in the logic model as an intended outcome, the project also intended to support business to co-located in the campus. As discussed in Chapter 4, this has proved to be more challenging than anticipated in a post-Covid-19 environment.

2.48 The intended impacts of HIC included a net additional increase in GVA, employment and productivity through innovation.

2.49 Although outcome and impact targets were well-differentiated and SMART, no baseline by which progress can be measured was provided.

Project Change Requests

2.50 The Project Change Request (PCR) process begun in early 2019 and was originally aiming to:

- **Reprofile output targets** so that they better aligned with undertaken activity and when they would be reported to MHCLG.

- **Use unspent staff costs on staff from the academic and knowledge transfer pools** to support C26 delivery.
- **Change the existing staff profile** to make the Project Manager full-time and include additional administrative support.

2.51 However, upon the advice of MHCLG, the PCR was combined with an extension request (submitted in September 2019). The PCR/Extension bid passed stage 1 and HIC was invited to submit an extension request. However, its submission was stalled as MHCLG suspended the process due to COVID-19 in March 2020 and only reopened in August 2020.

2.52 Although the PCR was submitted in October 2020, it had to be resubmitted once a further no-cost extension request was approved. The latter was primarily necessitated by the impact of Lancaster University restrictions on committing to recruitment and contract extensions prior to securing a formal extension and saw the activity and practical completion dates of the project extended to June 2021.

2.53 Following appraisal queries, the latest version of the PCR was then resubmitted in December 2020 and it was approved in March 2021. It included a number of key changes:

- **Delaying the financial completion date** to 30/09/2023 from 30/06/2021.
- **Delaying the project practical completion and activity end dates** to 30/06/2023 from 30/06/2021.
- **Changes to the revenue expenditure profile** to account for a later than anticipated start and staffing issues, as well as securing additional funding for the extension of revenue activity to June 2023.
- **Changes to the output targets** to reflect the initial delays in launching the project and the additional deliverables the project aimed to achieve by extending revenue activity.

2.54 The suggested alterations to project funding are outlined in the table below. Lancaster University remained the sole public match funding source.

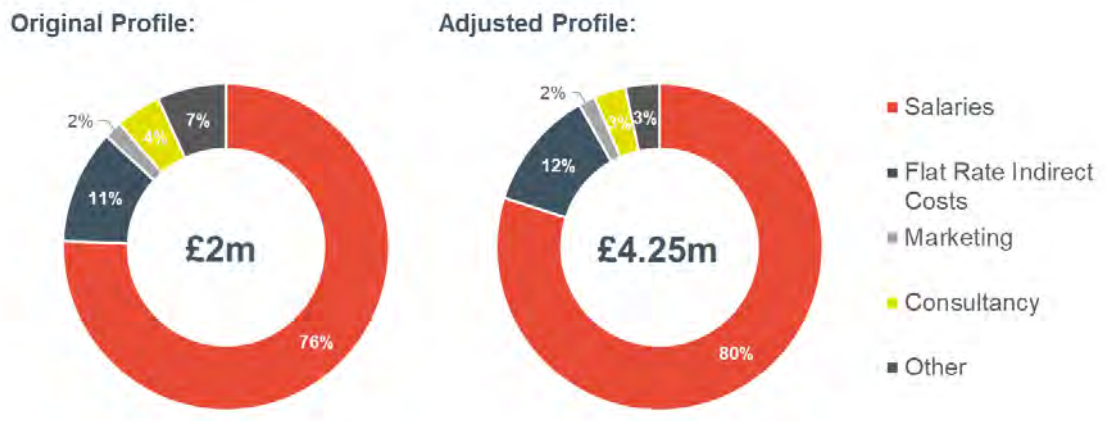
Table 2.5 Project Funding Changes

	Original	Revised	Change
Capital Expenditure	**£12,099,124**	**£12,099,124**	**£0 (0%)**
ERDF	£7,259,474	£7,259,474	+£0.40 (0%)
Public Match (Lancaster University)	£4,839,650	£4,839,650	-£0.40 (0%)
Revenue Expenditure	**£2,000,000**	**£4,250,000**	**+£2,250,000 (112.5%)**
ERDF	£1,200,000	£2,550,000	£1,350,000 (112.5%)
Public Match (Lancaster University)	£800,000	£1,700,000	£900,000 (112.5%)
Total Project Value	**£14,099,124**	**£16,349,124**	**£2,250,000 (15.96%)**
ERDF	£8,459,474	£9,809,474	£1,350,000.40 (15.96%)
Public Match (Lancaster University)	£5,639,650	£6,539,649.60	£900,000.60 (15.96%)

Source: Annex A Project Change Request Financial and Output Information, 9-12-20

2.55 The revised profile of cost headings for the revenue strand of the project is provided in Figure 2.4

Figure 2.4 Original Profile and Adjusted Profile in the Second Project Change Request



Source: Annex A Project Change Request Financial and Output Information, 9-12-20. Note: 'Other' expenditure consists of office costs, other revenue and professional fees.

2.56 Table 3.2 outlines the revisions to the original output profile contained in the PCR. Lessons from Phase 1 delivery informed the output targets proposed in the extension request.

2.57 With the emphasis being on fewer long-term in-depth interventions, the C1 outputs target for this phase of delivery was lower. Moreover, the PCR raised the issue of the original ambitious C26 output target, which was based on the misunderstanding that it aligned with C1 outputs. The C26 output target proposed in the PCR was based on the realisation that it constituted an in-depth stand-alone activity.

Table 2.6 Project Output Changes

	Original	Revised	Change
C1: Number of Enterprises Receiving Support	300	450	+50%
C4: Number of Enterprises Receiving Non-Financial Support	300	450	+50%
C8: Employment Increase in Supported Enterprises	35	55	+57%
C25: Number of Researchers Working in Improved Research Infrastructure Facilities	50	50	0%
C26: Number of Enterprises Cooperating with Research Institutions	300	300	0%
C28: Number of Enterprises Supported to Introduce New to the Market Products	25	50	+100%
C29: Number of Enterprises Supported to Introduce New to the Firm Products	50	90	+80%
P2: Public or Commercial Buildings Built or Renovated (sqm)	3,750	3,750	0%

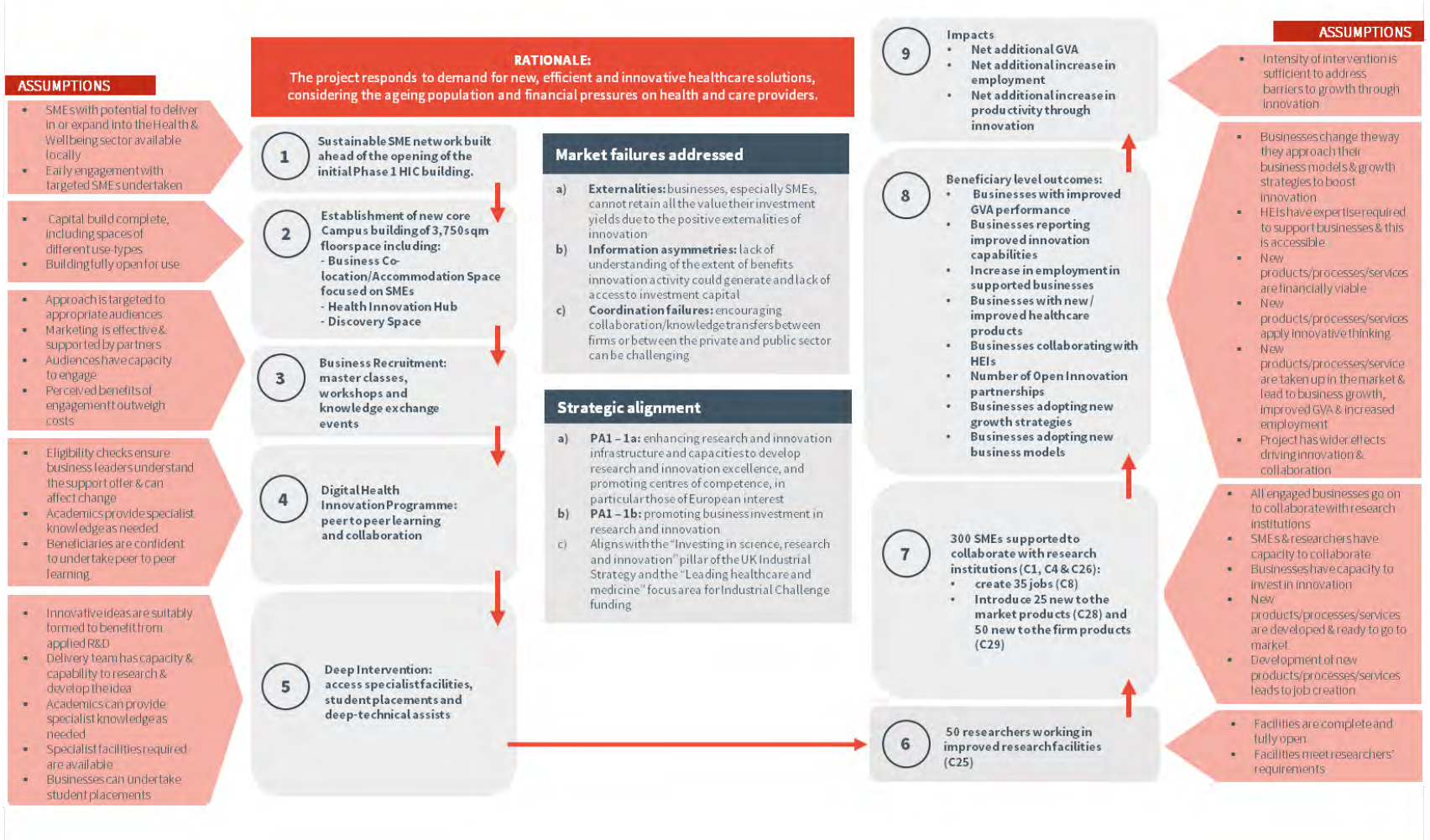
Source: Annex A Project Change Request Financial and Output Information, 9-12-20

Theory of Change

2.58 Figure 2.5Figure 2.5 presents the Theory of Change diagram for the HIC project. The Theory of Change diagram traces the step-by-step rationale for the intervention to its intended outcomes and impacts in a sequential manner and explains the assumption which the intended outcomes and impacts depend on.

2.59 As such, it is a useful tool to evaluate the HIC project, referencing original intent compared to how the project has performed in practice.

Figure 2.5 Theory of Change



Source: Hatch

Changes to Delivery Context

2.60 This section of the report reviews changes in the economic and policy environment which may have impacted on the delivery of HIC, assessing the continued relevance and consistency of the project in light of any changes that have occurred during its delivery period.

Key Contextual Factors

2.61 Since HIC launched in January 2018, there have been significant changes in the local and national political and economic landscape, which may impact on the project's delivery, impact and continued relevance.

2.62 The following table reviews changes to the policy and socio-economic environment that have occurred since the time of the Interim Evaluation (June 2021) and assesses their potential impact on the project.

Table 2.7 Changes to Delivery Context

Factor	Changes	Potential Impact on Project
Autumn Statement 2022	• The statement focuses on infrastructure, energy, and innovation as fundamental drivers towards achieving stability, growth, and public services. • The government has committed to increasing public funding for Research and Development to £20bn by 2024-2025. The objective is to go above the 2017 target of investing 2.4% of GDP into R&D. • It prioritises further investment in the NHS and social care, despite delivering overall spending restraint. It makes up to £8bn of funding available for the NHS and adult social care in England in 2024-25.	• The HIC continued to align with the increasing emphasis placed on promoting innovation by Government. • In light of the significant pressures facing the NHS and the need to improve access to and the quality of adult social care, the project remained highly relevant.
Levelling Up the United Kingdom (2022)[7][8]	• Outlines a system change approach to the way that government works to deliver the levelling up Agenda. At its heart are twelve national missions. Among others, they aim to encourage innovation, boost productivity, and boost economic growth. • The agenda specifies that BEIS will aim to invest at least 55% of its total domestic R&D funding outside the Greater South East by 2024-25. In addition, the UK Government will target £100m of investment in three new Innovation Accelerators.	• The HIC continued to align with the government's commitment to expand innovation and promote SME collaboration with HEI's. This could have positive multiplier effects on employment opportunities and new healthcare goods being produced. • It could also potentially have a profound impact on healthcare innovation, tackling knowledge gaps amongst Lancashire SME's and increasing the innovation capacity of SME's across Lancashire.
UK Innovation Strategy: Leading the Future by Creating it (2021)[9]	• The UK's Innovation Strategy, launched in July 2021, aims to enhance productivity across the economy, and in turn bring jobs, growth, and prosperity to all parts of the UK. The strategy focuses on supporting business innovation by making the most of the UK's research, development, and innovation systems.	• The emphasis on technology utilisation and business support will drive more technology into the realm of healthcare. HIC can help ignite the collaboration and cross border innovation between technological and software businesses and healthcare services.

[7] Autumn Statement 2022: Implications for Research, Development and Innovation – City REDI Blog (bham.ac.uk)

[8] Levelling Up the United Kingdom, Department for Levelling Up, Housing and the Communities, 2022

[9] UK Innovation Strategy: Leading the Future by Creating it, Department for Business, Energy & Industrial Strategy, 2021

	• The Strategy sets out four key pillars, including unleashing business through the provision of support, ensuring that UK research, development and innovation institutions serve the needs of businesses and places and stimulating innovation to tackle major challenges and drive capabilities in key technologies.	• Stimulating productivity and innovation would increase the demand for remote monitoring for Lancashire's ageing population. This links with HIC's overarching ability to use technology like this to better migrate ICT solutions into the healthcare sector which has lagged in technology utilisation by at least 10 years.
Innovate UK, Building the Future Economy 2021-2025[10]	• Articulates the role Innovate UK will play with partners to help deliver the UK innovation strategy. Commits to helping businesses grow through the development and commercialisation of new products, processes, and services, supporting by an outstanding innovation ecosystem. • To do this it will look at the future economy, focusing on opportunities for businesses in achieving net zero, improving health and wellbeing, creating, and benefiting from advances in technology, and supporting horizon scanning and foresight. • Developing an innovation ecosystem by increasing coordination to support innovating businesses between public agencies, academia, infrastructure, and the regulatory environment. Innovate UK will help partners work better, design better programmes and help businesses access more easily the support, knowledge, and facilities they require to succeed.	• Innovate UK's ambition of creating an innovation ecosystem would help tie HEI's, academic researchers, healthcare SME's and local businesses together. This links with HIC ambition to enhance knowledge sharing, boost innovation capability, and increase long term collaboration. • HIC aims to provide greater collaboration which has the potential to improve SME innovation performance where partnerships and product/service innovation is concerned. • Innovate UK's drive towards increasing utilisation of technology will help digitalise the Lancashire healthcare sector which could be further accelerated with the assistance of the HIC project.
Covid-19 Pandemic	• In light of the pandemic outbreak in the UK in March 2020, the Government has enacted several measures, which have restricted the economic and social activity, to curb the spread of the Coronavirus. • These measures have included but are not limited to three separate national lockdowns, a tiered regional lockdown approach, and restrictions to certain sectors and business' operations.	• The Covid-19 pandemic had a persistent impact on the HIC project, posing challenges and opportunities across different service strands. • Consultees unanimously recognised the negative impact the pandemic had on take-up of hot-desking space in the Health Innovation One (HI One) building. National lockdowns and social distancing measures delayed occupation of the building once it was completed. Some recognised that the HI One building opened later than

[10] Innovate UK Action Plan for Business Innovation 2021 to 2025, Innovate UK, 2021

	• To support the economy, through the pandemic, the Government has introduced several support schemes such as the job retention scheme, bounce back loans scheme and specific sector funding to support vulnerable individuals and businesses which have restricted them from operating normally. • The Covid-19 pandemic also had a significant impact on demand for workspace. Before the pandemic, 5% of the UK workforce worked from home. During the pandemic, 38% of the UK workforce worked from home and since pandemic restrictions have been lifted 13% work from home exclusively. This illustrates how demand had fallen for office workspace because of the pandemic and more people shifting to remote working arrangements. • Office space demand has remained stable in Lancashire since the pandemic, as many businesses look for short-term and flexible office solutions in response to the pandemic. In terms of supply, Lancashire has a high office vacancy rate, which has increased further since the pandemic.	similar facilities, as the University's re-opening policy understandably prioritised the welfare of its students and teaching staff. Others reflected on the implications of a shift towards more home-working on demand for this type of workspace. • Consultees also noted that the priorities of SMEs shifted to business survival during the pandemic. This had an impact of the type of support they were seeking, which became more focus on operational rather than innovation matters. Moreover, delivery staff observed that a degree of the susceptibility of HIC to the Covid-19 pandemic was due to the demographic profile of the beneficiaries supported. About half of their beneficiaries were female, whose time tended to be more affected by increased childcare needs during the pandemic. Recruitment to the two day workshops offered by HIC became especially challenging under these circumstances. • The Covid-19 pandemic accelerated the trend towards increased digitisation. Consultees noted how this was reflected in demand levels for digital support from the HIC technical team.
Cost of living crisis	• The cost of living crisis refers to the fall in 'real' disposable incomes (that is, adjusted for inflation and after taxes and benefits) that the UK has experience since late 2021. • This crisis is predominantly caused by high inflation surpassing wage and benefit increased and further exacerbated by recent tax increases. • Government support in response to high energy prices, a particular turning point of the crisis in the form of lower income household support for energy bills.	• The succession of the Covid-19 pandemic crisis by a cost-of-living crisis resulted in a state of persistently high uncertainty. As such, delivery staff reported continuing difficulties recruiting beneficiaries. One consultee relayed that a few clients mentioned that they are more cautious about investing in exploratory R&D activities given the challenging economic climate.
Pressures facing the NHS	• The NHS is experiencing high pressure which is due to the culmination of multiple factors. Some of the factors include restricted capacity, long term staff shortages, increasing	• Consultations with University staff highlighted that investment in the HIC project was strategically important in showcasing the University's intent to contribute to the

	patient needs and high public expectation. Demand is increasing across primary, community and social care services. This has led to staff exhaustion, overflowing wards and patients facing long waiting times.	healthcare sector of Lancashire and beyond. It has started to bear fruit in the form of increased interest in striking partnerships with the University. • External consultees highlighted the importance of engaging with public sector partners in this type of schemes to deliver SME support that addresses the needs of the sector. However, both external consultees and delivery staff recognised that this proved difficult in a highly pressurised environment, whereby the capacity of health and care providers is limited.
EU Exit	• The UK and EU agreed on a post-Brexit trade deal which came into force in January 2021. The new deal has resulted in uncertainty for businesses, in relation to trade, employee and other regulatory considerations.	• The EU Exit disrupted the funding continuity provided by the European Regional Development Fund (ERDF). The impact this had on University staff engaged in delivering business support – particularly those employed through ERDF funded projects – was recognised in consultations. With the extent of replacement funding not matching that historically available through the ERDF, concerns were expressed in terms of continuing capacity to delivery knowledge exchange activities at the same scale.
UK Shared Prosperity Fund (UKSPF)	• UKSPF will replace the current European Union Structural Funds, which will finish by end of 2023. This may reduce the availability of funding to continue delivering SME support post-2023. • Lancaster City Council was allocated £5.3 million to support three core areas: Communities & Place, Supporting Business, and People & Skills. • In August 2023, Lancaster submitted its overall UKSPF Investment Plan, identifying priority interventions in the three core areas. This included investment in research and development, strengthening local entrepreneurial economy, and supporting decarbonisation whilst growing the local economy.	• The objectives of the HIC programme align with the core areas targeted by Lancaster's UKSPF Investment Plan. • By helping to drive investment into R&D and the local entrepreneurial economy, the project supported businesses accelerate health related innovation and knowledge spillovers as well as stimulate private sector investment. • The accelerated rate of innovation may result in the creation of new SME's who provide new healthcare products to the market as well as boost local employment opportunities.
Lancashire Innovation Action Plan 2022-2025	• The action plan aims to facilitate R&D networks, for example through university-business knowledge exchange and	• Through capital investment in the building and a lead-in support programme, the HIC aimed to support the

	campuses for crossover technologies and commercialisation. • The objectives of the action plan is to place Lancashire at the forefront of innovation, to build a globally competitive county, to promote the Lancashire brand on an international scale and establish Lancashire as a place which attracts talent and investment in technology, skills and productivity.	creation of networks that bring together innovators, academics, researchers, and healthcare providers together in order to boost innovation, expand the scale of new healthcare products and improve capabilities of SME's and the respective actors involved in R&D networks.
Lancashire LEP Economy	• GVA per head of population in Lancashire was £21,982 in 2020, a decrease of 2% since 2017, but still significantly lower than the rate across England of £29,757[11]. • Productivity in the healthcare sector appears slightly lower in Lancashire than nationally, with GVA per FTE worker at £45,027 as opposed to £45,750 in 2018. • The unemployment rate in Lancashire is 4.9%[12], compared to 4.5% at the same time last year (and 2.7% in 2020). Unemployment is relatively high compared to 3.7% for England (and 3.6% for the UK), a marginal decrease from 4.9% last year. • Lancashire's business base, similar to the national business base, is predominantly made up of SMEs, accounting for 99.6% of all businesses[13]. Among these SMEs, Lancashire has a slightly lower proportion of micro businesses (88.2%) relative to the national rate (89.5%), but relatively higher proportions of small (9.7% vs 8.6%) and medium (1.7% vs 1.5%) businesses. • Healthcare sector businesses make up 4.3% of Lancashire's business base, compared to 3.8% in England. SMEs make up a greater proportion of healthcare firms locally (98.9%) than nationally (98.9%), with small (23.5% vs 24.3%) and medium	• Lancashire's GVA per head is lower than the national average and HIC could effectively address this. HIC's objective of driving innovation in the healthcare sector could result in the facilitation of higher value activities. This could have a positive influence on GVA levels in Lancashire. • Unemployment has increased in Lancashire over recent years and is higher than the national average. However, since the rise of the Covid-19 pandemic the unemployment rate and claimant counts have been diverging. • The Healthcare sector has a greater concentration of businesses in Lancashire compared to the national average. However, there is a smaller share of microbusinesses in the healthcare sector in Lancashire compared to the national level which opens up an opportunity for HIC to support and target microbusinesses in the Lancashire LEP. • This is representative in the business births data where Lancashire has fewer business births compared to the national level. This opens the opportunity for new start-ups to be formed and for the HIC project to provide

[11]ONS, Regional gross value added (balanced) per head and income components, 2020

[12] ONS, Annual Population Survey, 2022

[13] ONS, UK Business Count, 2022

	(5.1% vs 5.2%) businesses being especially more prominent. However, micro businesses account for a smaller share of healthcare firms in Lancashire than England (64.5% vs 70.2%). • Latest data for 2019 showed that Lancashire had fewer business births per 1,000 working age population than the national level with 7.8 business births per 1,000 working age population compared with 9.1 for England[14].	business support to stimulate the increase in business start-ups in Lancashire.
Lancaster University, Strategic Plan 2021-2026	• Since its last Strategic Plan in 2015, the economic and political context of the UK has changed. The Strategic Plan responds to the new challenges faced regionally and nationally and seeks to build economic growth and wellbeing in the region. • The Strategic Plan commits to continuing to deliver research that transforms practice and thinking. Lancaster will continue to develop research excellence through strong interdisciplinary and collaborative research. Research areas of opportunity which support this include health, data, security and sustainability.	• The Health Innovation Campus programme signals a commitment to leveraging the expertise that sits across the University to make strides in the domain of health research. • The Health Innovation Campus building brings together academics, students, and business under one roof, demonstrating the University's commitment to a collaborative approach to research.

[14] ONS Business Demography (2021) and ONS Mid-Year Population Estimates (2021)

Appropriateness of Project Design

2.63 The Health Innovation Campus project arose as a result of the University's long-standing ambition to develop its knowledge exchange offer. The rationale for the project was to drive innovation in healthcare by bringing together academia, businesses, healthcare providers and healthcare users. The project channelled ERDF investment in the knowledge exchange spaces of the Health Innovation One building. It also delivered a lead-in business support programme that aimed to activate the capital built by facilitating partnerships with industry. Consultees highlighted the importance of combining capital investment and revenue activities to realise the project's intended benefits.

2.64 The original design of the project responded to its rationale and core objectives. Appropriate potential outcomes and impacts were considered. However, delivery staff agreed that output targets were set unrealistically high. In part, this was because the project was set with high ambitions, under a more favourable economic climate. It was noted that the C26 target was set especially high, as a result of a misunderstanding that it aligned with C1 outputs.

2.65 The economic and strategic landscape have changed radically since the inception of the project, with the onset of the Covid-19 pandemic, the EU Exit, and the cost-of-living crisis. The HIC project remained strategically relevant considering the increasing emphasis placed on innovation by both central and local government. Moreover, the focus of the project on the health, care and wellbeing sectors has become more salient in light of the Covid-19 pandemic and the pressures facing health and care services.

2.66 While the original project design was appropriate at inception, it came under stress as a result of the Covid-19 pandemic. Namely, while the pandemic positively impacted demand for technical support from HIC by accelerating the shift towards digitalisation, it had a lasting negative impact on the project overall, especially in terms of its workshop and hot-desking offer:

- The focus of most SMEs shifted away from innovation towards business survival. While this trend was instigated by the Covid-19 pandemic, it remained true in its aftermath, given the challenging business conditions resulting from a high-cost environment.
- Access to the Health Innovation One (HI One) building was significantly delayed because of national lockdowns, social distancing measures and the fact that the University's re-opening policy understandingly prioritised the welfare of its students and teaching staff. Meanwhile, post-pandemic, a shift towards more home-working impacted demand for hot-desking space.

2.67 An extension Project Change Request (PCR) was approved in March 2021 in recognition of these contextual changes. The project team ensured continued alignment with the support needs of SMEs by introducing new strands of business support and adapting the client journey. Moreover, it provided incentives to boost take-up of hot-desking space in the HI One building.

2.68 In consultations, University staff remarked that there are plans to continue delivering HIC based activities, which reflects the project's strategic importance and continuing relevance. However, these will have to be adapted given the scale of funding available post-ERDF.

3. Progress Against Contractual ERDF Targets

3.1 This section provides an overview of the project's progress in terms of the contractual ERDF output targets and financial profile, and the extent to which it has supported the horizontal principles. It includes a discussion of factors contributing towards any areas of under or over performance.

3.2 The section focuses on progress with respect to the revenue element of the Health Innovation Campus (HIC) project. The Interim Evaluation provided an in-depth assessment of progress in terms of the capital element of the project, as the Health Innovation One (HI One) building was completed at that point in time.

3.3 The analysis draws on the latest data provided by Lancaster University, including copies of quarterly claims submitted and underpinning data. Performance is analysed using the latest data provided, which covers the period up to the end of Q1 2023.

3.4 This section also draws on consultations with delivery and management staff which has provided further qualitative insight into the internal and external factors which may have affected project progress.

Progress Against Contractual ERDF Targets

3.5 The project's performance as of Q1 2023 is summarised below:

Table 3.1 Spend and output performance against the revised profile (PCR), Q1 2023

	Targets		**Performance as of Q1 2023**		**Expected performance at project closure**	
	Original	**Revised**	**No.**	**% of revised target**	**No.**	**% of revised target**
Capital Expenditure	£12,099,124	£12,099,124	£12,099,124	100%	£12,099,124	100%
Revenue Expenditure	£2,000,000	£4,250,000	£3,081,433	73%	£3,800,400	89%
ERDF	*£1,200,000*	*£2,550,000*	*£1,849,794*	*73%*	-	-
Public Match	*£800,000*	*£1,700,000*	*£1,231,639*	*72%*	-	-
C1: No of Enterprises Receiving Support	300	450	229	51%	284	63%
C4: No of Enterprises Receiving Non-Financial Support	300	450	229	51%	284	63%
C8: Employment Increase in Supported Enterprises	35	55	14	25%	22	40%
C25: No of Researchers Working in Improved Research Infrastructure Facilities	50	50	53	106%	53	106%
C26: No of Enterprises	300	300	48	16%	80	27%

Cooperating with Research Institutions						
C28: No of Enterprises Supported to Introduce New to the Market Products	25	50	45	90%	51	102%
C29: No of Enterprises Supported to Introduce New to the Firm Products	50	90	50	56%	56	62%
P2: Public or Commercial Buildings Built or Renovated (square meters)	3,750	3,750	3750	100%	3750	100%

Source: HIC ERDF Claim From, Q1 2023; Annex A Project Change Request Financial and Output Information, 9-12-20.

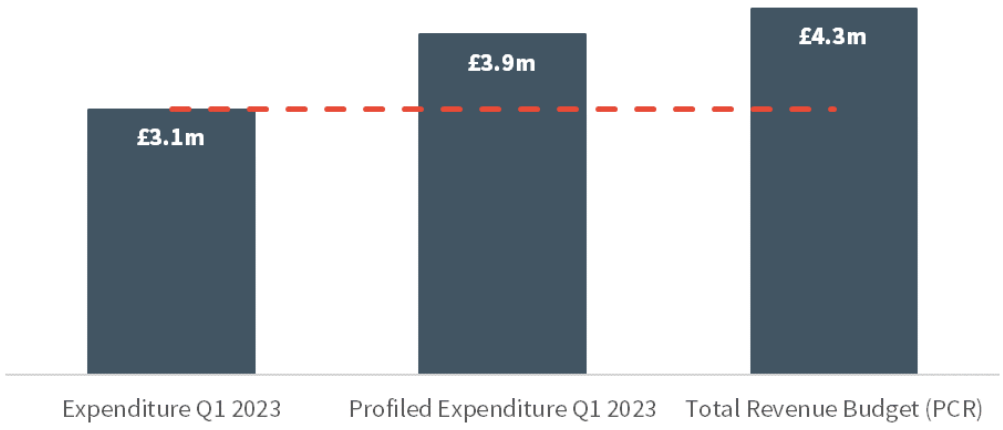
Financial Performance

3.6 The Project Change Request (PCR) approved in March 2021 increased the total budget of the HIC project to £16.3m, of which 60% was ERDF investment and 40% was public match funding provided by Lancaster University. Funding for the revenue element of the Health Innovation Campus (HIC) project doubled to £4.3m following the approval of the PCR. This represented 26% of the revised total budget.

3.7 As of Q1 2023, the project incurred £3m in revenue expenditure, which accounts for 72% of the revised revenue element budget. As such, total project spent stood at £15.9m or 93% of the revised total budget.

3.8 The Q1 2023 Project Progress Report (PPR) noted that expenditure remained lower than profiled, as shown in Figure 3.1. This was primarily attributed to staffing underspend, which agrees with consultee remarks. The Q1 2023 PPR notes that staffing underspend was exacerbated in the last quarter as an Analyst Developer, Marketing and Events Officer and an Administrative Support Officer were not employed. Moreover, the remaining Administrative Support Officer reduced their time from 5 to 3 days for some of the quarter.

Figure 3.1 Revenue expenditure, as at Q1 2023



Source: HIC ERDF Claim From, Q1 2023; Annex A Project Change Request Financial and Output Information, 9-12-20.

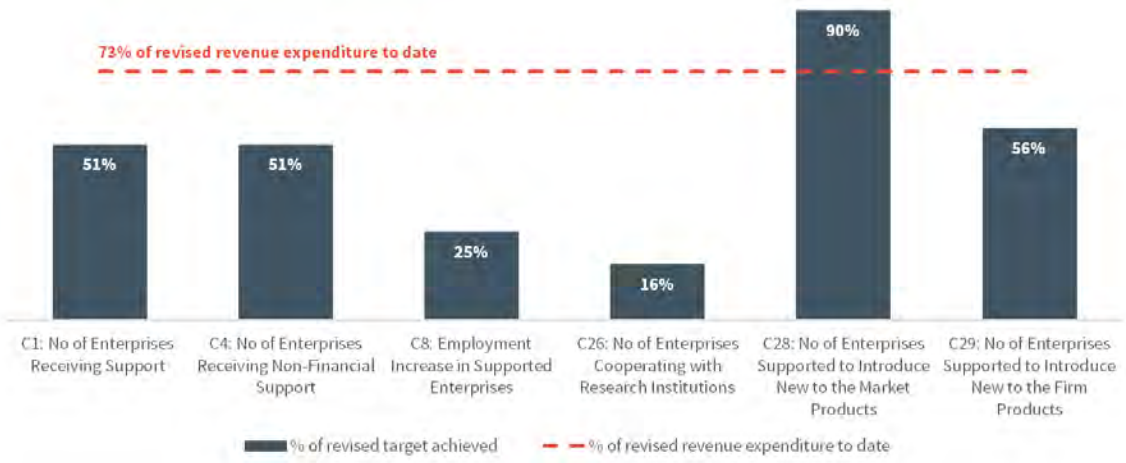
3.9 A specialist business support provider (Inventya) was sub-contracted to facilitate workshop recruitment and delivery. The Q1 2023 PPR also noted that the sub-contractor started invoicing for some of the business assists delivered. Moreover, the portfolio of business support available through HIC has been expanded to include student placements, the cost of which started to be paid in Q1 2023.

Output Performance

3.10 Although the HI One building was completed at the time of the Interim Evaluation, the square meters of facilities built (P2) and the number of researchers working in improved research infrastructure facilities (C25) outputs were not yet claimed. Table 3.1 now reflects that both outputs have been achieved and the project over-performed with respect to its C25 target (106%).

3.11 With respect to the revenue strand of the project, Figure 3.2 shows that as of Q1 2023, the rate at which output targets have been achieved lagged the rate of revenue expenditure (73%), except for the number of enterprises introducing new to the markets products target (90%). In consultations, delivery staff agreed that the lagging output performance was indicative of the overambitious targets set for the project. They expressed the view that although the targets set in the PCR were more realistic, they remained stretching. However, they also discussed the impact of Covid-19 and economic uncertainty on output performance.

Figure 3.2 Progress Against Headline Output and Outcome Indicators



Source: HIC ERDF Claim From, Q1 2023; Annex A Project Change Request Financial and Output Information, 9-12-20.

3.12 Delivery staff observed that C1/C4 output performance struggled post-pandemic as a result of difficulties to drive engagement in workshops. SMEs' focus shifted to survival (rather than innovation) during that time. Meanwhile, SMEs' capacity to participate in two-day workshops diminished, given competing demands on their time. Delivery staff observed that these difficulties were accentuated by marketing staff resourcing challenges. For instance, the Q1 2023 Project Progress Report (PPR) noted that the new Marketing and Event Officer left that quarter. That meant that the project team had to focus on direct follow-ups on organisations already engaged.

3.13 A specialist business support provider, Inventya, was sub-contracted to support the delivery of workshops alongside the HIC project team. However, they reported similar difficulties, and as such proceeded to deliver a bespoke mix of market research and workshops. The latest PPR noted that workshop delivery was left to the sub-contractor during Q1 2023 to allow the HIC project team to focus on delivery of C26 outputs.

3.14 To drive output performance, additional strands of support were introduced (which could lead to a C1 and C26 output). These included a student placement scheme, the Health Innovation Catalyst and the HICommunity support offer to businesses co-locating in the HI One building. Delivery staff noted that while the implementation of the additional support strands was overall straightforward, they took time to launch as due process had to be followed. The latest PPR noted that the Health Innovation Catalyst started in Q1 2023, and although it has not been completed yet, the C1/C4 claims for attendees have been processed. In Q1 2023, some studentships reach the C1/C4 output milestones, but claims for these have not been submitted yet.

3.15 A number of consultees observed that despite the lagging performance in terms of the C1/C4 output targets as of Q1 2023 (51% of the output target), the project supported a significant number (229) of business in the Lancashire LEP area.

3.16 The HIC project claimed 48 C26 business assists, which represents 16% of its output target. Delivery staff recognised that the extent of underperformance was due to the misunderstanding around the type of support qualifying for a C26 business assist under ERDF requirement. Before the additional strands of support were introduced, technical digital assistance was the only type of support qualifying as a C26 output. An additional challenge encountered was the fact that

before accessing more intensive types of support, businesses were required to attend a workshop, for which demand was low. To overcome this, the client journey was modified to enable direct access to the type of support that felt more relevant to the beneficiary's needs.

3.17 The Q1 2023 PPR noted that there was a pipeline of C26 outputs from student placements and the HICommunity support offering that the project expected to claim during Q2 2023. It also noted that that technical digital support continued to perform strongly, providing C26 outputs as well as C28 and C29 outputs. The project has achieved 90% of its businesses supported to introduce new to market products (C28) and 56% of its businesses to supported to introduce new to firm products (C29).

Expected Lifetime Outcome

3.18 Table 3.1 sets out expected performance at project closure based on forecasts provided by Lancaster University. The project expected to utilise 89% of its revised revenue budget. With the exception of C28 outputs, the project was not anticipating to meet its targets. It expected to meet 63% of its C1/C4 and 27% of its C26 output targets. However, it planned to undertake a number of activities to minimise the shortfall.

3.19 The Q1 2023 PPR noted that C1/C4 output achievement would continue to be supported by the activities of the sub-contractor until June. The HIC project team was also looking to run some workshops in the final quarter, but these proved difficult to recruit to in the past. Student placements would lead to C1/C4 outputs in the final quarter. Free resources have been allocated to student placement delivery to help support the realisation of C26 outputs. But, given their resource intensity, the PPR recognises that only a limited number can be delivered.

3.20 To support C26 output achievement, the project would continue to pro-actively promote the HICommunity co-location support offering, thereby continuing to bring businesses into the HI One building. The Health Innovation Catalyst programme would also conclude this quarter resulting in C26 outputs. Reflecting delivery consultee remarks, the Q1 2023 PPR noted that while there was healthy pipeline of potential digital assistance project, the number that could be completed depended on retention of Analyst Developers as the project came to a close.

3.21 Similarly, the PPR recognised that promotion of the project would be difficult going forward, given difficulties to replace the outgoing Marketing and Events Officer. To overcome this, resources would be utilised within the HIC project team and the department more broadly. Among the marketing efforts noted in the PPR were case studies, aiming to promote different types of assistance (mainly student placements and digital support), which should be available on the project's website in Q2 2023.

Horizontal Principles

3.22 The project has responded to the ERDF horizontal principles of equality, diversity, environment and sustainability via Lancaster University's existing policies set up to address these principles. This was achieved by assisting beneficiary businesses to factor the horizontal principles into future business operations and resource planning for new product, process and service development.

3.23 The Q2 2023 PPR highlighted the project's contribution to 'Equality and Diversity' by noting that 53% of SMEs supported were female owned and/or had a majority of women in the senior management team. As of Q1 2023, the project had almost a 50/50 gender split.

3.24 However, in consultations, it was noted that contributions towards ERDF horizonal principles were not actively monitored and promoted, with some suggesting that case studies could be used to publicise the project's impact in this respect.

Summary

The HIC project utilised £3.1m or 73% of its revised revenue budget. Although it has supported a large number (229) of businesses, performance has been lagging in terms of its C1/C4 output target (51% met to date). Similarly, with the exception of enterprises introducing new to market products (90% of revised C28 target achieved), performance has been lagging in terms of output targets, most notably businesses collaborating with research entities (16% of target met). Consultees recognised that the lagging output performance can be attributed to the legacy of overambitious target setting. Although the PCR targets were more realistic, they remained stretching overall. Moreover, they recognised the impact of the Covid-19 pandemic on workshop engagement and the time required to launch the additional support strands, as due process had to be followed. The project expected to utilise £3.8m or 89% of its revised revenue budget. With the exception of C28 outputs, the project was not expected to meet its targets. However, the Q1 2023 Project Performance Report (PPR) outlined the activities that would be undertaken to minimise the anticipated shortfall.

4. Delivery and Management Performance

4.1 This section provides an analysis of how effectively the project has been implemented and delivered, highlighting factors which explain the project's development and performance. It synthesises findings from consultations with management and delivery staff of the Health Innovation Campus project (a full list of consultees is provided in Appendix). These semi-structured consultations were carried out between January and May 2023 by Microsoft Teams calls. A list of consultees was provided by Lancaster University, which included current and past management and delivery staff involved in designing and delivering the project.

Project Set Up

The original project design was broadly appropriate before the onset of the Covid-19 pandemic, although output targets were over-ambitious.

4.2 The HIC project design responded to Lancaster University's long-standing ambition to develop its knowledge exchange offer, and thereby boost local economic growth. In consultations, University staff highlighted the importance of activating investment in the knowledge exchange spaces of the Health Innovation One (HI One) building through a lead-in business support programme. Delivery staff agreed that the original project design was appropriate before the onset of the Covid-19 pandemic. However, some consultees observed a number of ways in which it could have been improved:

- A limitation recognised in terms of the original project design was the unrealistically high output targets set. This can be largely attributed to the fact that the project was set up with high ambitions, under a more favourable economic climate. However, a misunderstanding about the type of support that constitutes an enterprise collaborating with a research institution under ERDF requirements also played a role. This meant that the C26 target was set at the same level as the overall number of businesses supported (C1) target. Technical digital support was the only type of support offered by HIC that qualified as a C26 business assist under the original project design, which added an additional layer of difficulty in meeting this target.

  The revised output targets set in the extension PCR (which was approved in March 2021) incorporated lessons from delivery under more challenging economic challenges. Moreover, to boost the delivery of C1 and C26 outputs, the project team introduced additional strands of support and adapted the client journey. The 'Delivery' section of this chapter discusses in more detail how the HIC delivery model has evolved. However, delivery staff noted that output targets remained stretching throughout the project's lifetime.

- On a separate note, some consultees suggested that engaging staff from the Faculty of Health and Medicine in the project design process would have ensured the support better aligned with the expertise and activities of academic staff and secured their buy-in before project delivery began.

Project Governance and Administration

Leadership changes affected the strength of project governance.

4.3 The project was governed at the University level rather than by a single faculty, given that the aim of the Health Innovation Campus was to facilitate interdisciplinary innovation. The project was initially governed by the Health Innovation Campus Board, which provided a forum for discussion and agreement on the project. The Interim Evaluation (June 2021) found that governance structures and responsibilities were generally clear. In the latest round of consultations, some noted that during the earlier phase of the project, there was not a strong emphasis on bringing the Faculty of Health and Medicine onboard .

4.4 Leadership changes put a strain on governance structures. The Health Innovation Campus Board was put on pause following the departure of the Director of the Health Innovation Campus and has not been re-constituted. Following the dissolution of the Health Innovation Campus Board, the project was subsumed in the Research and Enterprise Services of the University. The Head of Partnerships and Engagement for Health and Social Care was brought in to oversee the project.

4.5 To restore tighter governance practices, a structured approach to internal governance was implemented that encouraged collaboration and accountability. This entailed meeting more regularly with the senior project team to provide project performance updates, identify risks and discuss mitigation strategies. As a suggestion for improvement in the future, a consultee observed that the governance structure could be strengthened by having a project management steering group alongside an operational group.

4.6 Moreover, to enhance inter-disciplinary collaboration, efforts were also made to strengthen relationships with the Faculty of Health and Medicine by working with the Associate Dean of Engagement, who came on board in March 2021.

The project acted as a catalyst for engagement with external stakeholders, despite the lack of formal external governance.

4.7 The project did not have formal external governance arrangements in place. An external steering group could have been helpful in terms of encouraging greater overarching impact by seeking input from partners with aligned aims. Despite the lack of formal external governance structures, the project engaged informally with a range of external stakeholders, including the NHS, Acute Trusts, the Integrate Care Board as well as large companies, such as Cisco and Hitachi.

4.8 In consultations, University staff recognised the strategic value added of the project. Investment in the HIC not only acted as a catalyst for a decade's long investment. It also provided a focal point for wider strategic conversations by showcasing the University's civic commitment to improving health and wellbeing and supporting economic development more broadly. For example, the University has been approached by public healthcare sector partners for support with conversations seeking solutions to challenging problems, as a result of investment in the Health Innovation Campus.

An overall effective project administration approach, supported by an improved data management system.

4.9 The project was administered effectively overall. At the time of the Interim Evaluation, the data management system was being revised to store all project related data in one place. The new

CRM system – called KEEP – has been rolled out and it runs smoothly, based on delivery staff remarks.

4.10 External stakeholders noted that the contracting and procurement process was clear and delivery staff indicated that the project was managed pro-actively in terms of compliance. The delivery team received extensive compliance training. Moreover, Project Change Requests were submitted to DLUHC to get approval for the newly introduced strands of support. This ensured that the claims approval process run smoothly.

The internal approval process could be improved by sustaining more direct access to the PSU team.

4.11 Delivery staff and external consultees noted some areas for improvement. Specifically, they observed that the onboarding stage was sometimes prolonged by delays in getting the paperwork signed and approved internally. This was partly attributed to the volume of information companies are required to provide as part of ERDF requirements. Some consultees observed that the culture and systems within the organisation had a role to play, recognising the initial inability to capture information and uncertainties with regards to ERDF requirements around the C26 target. Some noted that process time could be reduce by establishing mechanisms through which delivery staff could seek informal advice from PSU colleagues to minimise the need to re-submit paperwork for approval. A consultee noted that they have observed this happening more as of late.

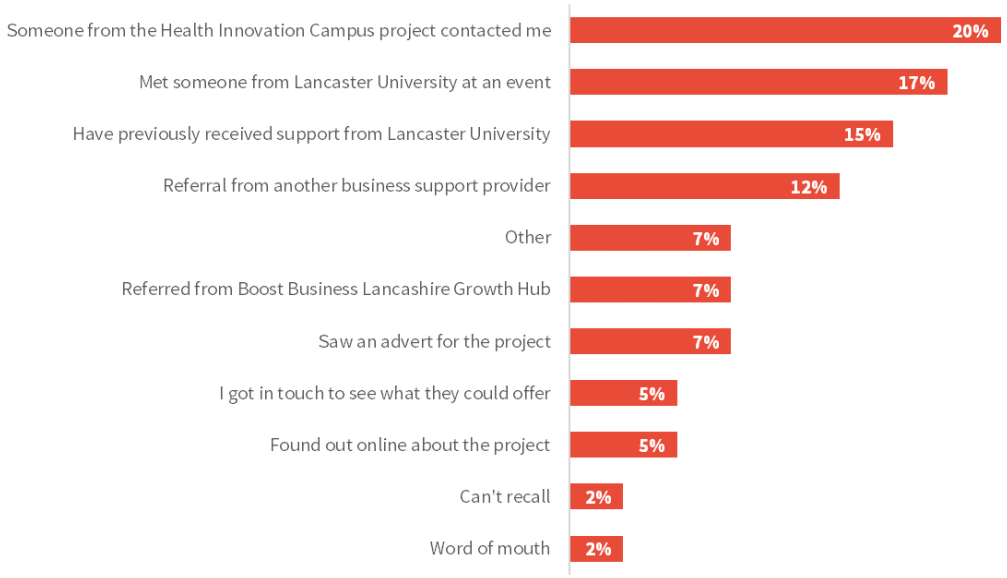
Marketing and Client Engagement

A variety of engagement methods have been used to attract businesses onto the Health Innovation Campus project.

4.12 Delivery staff noted that the primary method of beneficiary engagement was social media. The project also sought to engage beneficiaries through local press advertisements and by attending events. Delivery staff noted that while there was an active network of referrals between business support projects run by Lancaster University, referrals from external organisations and business support providers was a less popular route onto the project.

4.13 Beneficiary survey evidence shows that businesses first heard about the project through a variety of avenues. The most popular engagement methods cited were being contacted by someone from the HIC project team (20% of respondents), meeting someone from Lancaster University at an event (17%) and previously having received support by Lancaster University (15%).

Figure 4.1 How did you originally hear of and get in touch with the Health Innovation Campus project?



Source: Health Innovation Campus Beneficiary Survey, Hatch, 2023; N = 41.

The project reached a significant number of businesses, despite marketing challenges.

4.14 Delivery staff noted that although the project was behind its businesses supported (C1) target, it has reached a significant number of businesses. Some consultees noted that market penetration could have been better in terms of businesses that do not operate in the health and wellbeing sector but have the potential to diversify their operations into this space. A consultee observed that to successfully maintain engagement with section of the market, it is important to have business development staff, whose focus is understanding the specific innovation support needs of each prospective client.

4.15 Despite the high number of beneficiaries reached, both delivery staff and external stakeholders recognised that marketing and demand stimulation was an area the project consistently struggled with. This reflected the experience of other business support projects delivered by the University at the time. While these challenges can be largely attributed to the impact of external factors, primarily the Covid-19 pandemic, consultees also identified some project specific limitations.

The challenging business environment had a more severe impact on recruitment for some forms of HIC support.

4.16 The Covid-19 pandemic had a major impact on efforts to promote the project and encourage engagement with the HI One building. As face-to-face interaction was not possible, all marketing and client engagement activities were done virtually. Similarly, national lockdowns, social distancing restrictions and the University's re-opening policy limited access to the HI One building for a prolonged period.

4.17 In the aftermath of the pandemic, the project continued to face challenges generating interest in hot-desking space in the HI One building. Consultees recognised that partly this was because workspaces offering competing services opened before the HI One building, while one consultee

also noted the rural location of the building relative to other workspaces. Importantly, there was unanimous agreement on the impact the lasting shift in SME's demand for workspace has had, largely as a result of people being better equipped to work-from-home post-pandemic.

4.18 Moreover, the business support needs of SMEs and their capacity to engage with business support projects changed given the persistently uncertain business environment. Based on anecdotal evidence, delivery staff remarked that SMEs have become more cautious about investing in innovation. Meanwhile, the prevalence of staff recruitment and retention increased as a barrier to growth. Delivery staff also noted that SMEs were more likely to engage in support that readily led to tangible outcomes that addressed their operational needs. This was evident in the fact that while there was a healthy pipeline of clients seeking technical digital support, workshop recruitment struggled.

4.19 While consultees unanimously agreed that the change in business needs was critical to the engagement challenges experienced, some recognised that the marketing language used also played a role. Specifically, some noted that the project's message on how innovation support from HIC could be beneficial to businesses could have been clearer. In turn, this led a consultee to reflect on the impact of not having a well-defined offer around C26 business assists from the outset in terms of communicating how support from the project can support the realisation of innovation outcomes.

Marketing of the project continued to be limited by capacity.

4.20 The Interim Evaluation noted that marketing was limited by staff capacity. The project team stepped up to share marketing responsibilities given personnel limitations, and support has been offered by marketing staff in the broader Health Partnership Team at the University. However, delivery consultees observed that this remained a persistent challenge.

4.21 A specialist business support provider – Inventya – was sub-contracted to support the efforts of the HIC team to boost workshop engagement and delivery. Inventya had a target of delivering up to 80 C1 business assists. Their engagement activities included social media campaigns (on LinkedIn and Facebook), an email campaign and phone calls to a database of 1,000 business contacts as well as potential client leads from other business support programmes they run. Consultations with staff from Inventya indicated that they faced recruitment challenges like those experienced by the HIC project team. However, they also noted that a number of the businesses they contacted had already been supported by the HIC, which could be indicative of market saturation. Further to that, some noted there were more than ten ERDF project targeting the same markets.

Delivery

The delivery model became more robust as the project evolved to meet changing business needs.

4.22 Originally, following the successful completion of the application process, the beneficiary would participate in a two-day workshop. Beneficiaries completing the workshop were able to benefit from technical digital support from the project.

4.23 Delivery staff noted that the application process was relatively straightforward. However, the level of information required by the ERDF form was found to be burdensome, and at times intrusive, from the perspective of businesses, especially smaller ones like sole traders. In some cases, businesses were discouraged from completing the application process as a result.

4.24 Delivery staff identified two limitations with the original client journey. Firstly, the range of support available following participation in a workshop was initially limited to technical digital support. Secondly, the need for businesses to attend a two-day workshop before accessing more intensive forms of support from the HIC project became an engagement barrier post-pandemic, given the resource constraints SMEs were facing.

4.25 To overcome these limitations, additional strands of support were introduced, including student placements and a Health Innovation Catalyst programme. The client journey was adapted, so that businesses could gain direct access to all the services of the HIC project, without having attended a workshop first. Moreover, a new business support pathway was created by offering a package of business support through the 'try before you buy' scheme aiming to boost take-up of hot-desking space in the HI One building.

4.26 Delivery staff expressed the view that these changes not only facilitated better alignment with the support needs of SMEs, but they also improved the delivery model overall by creating better pathways from early to technical support and aftercare.

Workshops provided valuable support, but their focus and delivery model struggled to respond to business needs post-pandemic.

4.27 The two-day interactive workshops used design thinking tools and were themed around specific health innovation challenges. The sessions were led by a professional agitator that was a subject matter expert. The aim of the sessions was to expose beneficiaries to practical tools that can help them with abstract problem-solving and enable them to develop feasible, innovative ideas that respond to healthcare challenges. They also provided opportunities for businesses to network.

4.28 During the Covid-19 pandemic, the design of the workshops remained largely the same, but changes to the format of the sessions were made to facilitate delivery via the Zoom videoconferencing platform. This included reducing the number of delegates per workshop and facilitating interaction through features like breakout rooms and white boards. Consultees noted that learning to use these tools required time.

4.29 During the latter phase of the project, efforts to engage academics from the Faculty of Health and Medicine in the delivery of workshops were also intensified. This led to the development of a series of academic led workshops. However, this occurred at a time when interest from the part of business waned. So, the majority of these workshop were not delivered due to business recruitment challenges.

4.30 Delivery staff recognised that although the low engagement seen post-pandemic suggests that workshops were no longer aligned with the priorities and support needs of SMEs, beneficiary feedback on the support that had been delivered through workshops was good. For instance, beneficiaries indicated that they found value in the ideas discussed in workshops and used them in their businesses.

4.31 Subsequently, Inventya was sub-contracted to deliver workshops on design thinking principles. In consultations, Inventya staff noted that the HIC project team was open to them adjusting the focus of the support provided given the persistent engagement challenges faced. As such, Inventya offered companies with a minimum of 12 hours of market research support that culminated in the presentation of a report. Based on their experience of trying to generate interest in workshops, Inventya staff noted that going forward a delivery model based on regular shorter online workshops might be more successful, as it allows small business the flexibility to fit them around their other commitments.

Technical digital support was a successful element of the project.

4.32 SMEs were provided with twelve weeks of technical assistance. Delivery staff noted that the intensity of support was appropriate from the perspective of both the beneficiaries and the developers working on the project.

4.33 In consultations with the technical delivery team, it was noted that mobile application development was the most popular form of technical support requested. More recently, the team had seen an increase in requests for design work. This entailed developing a wireframe for projects requiring more than twelve weeks of technical support that beneficiaries could take to a developer to build.

4.34 Staff from HIC's technical support team also observed that technical digital support has been most successful in cases where the business had not previously considered digital innovation. Thus, they suggested that more emphasis could be given to this type of clients in the future.

4.35 The technical delivery team was based in a different building than the rest of the HIC project delivery team. Delivery staff indicated that although this did not affect delivery, it did contribute towards a feeling of being separated from the rest of the project. In terms of the impact of the Covid-19 pandemic on delivery, staff noted its knock-on effect on having to consider how to continue delivering technical support while working from home.

A diversified portfolio of business support was offered, with high demand seen for student placements.

4.36 The project team introduced student placements offering 140 hours or less of support. Student placements aimed to provide businesses with the additional resources required to implement their innovative ideas. An additional member of staff was recruited to run the student placement scheme. In consultations, delivery staff highlighted the high level of demand seen for student placements. Some noted their importance in terms of retaining talent locally. This has prompted the Faculty of Health and Medicine to consider how studentships can be integrated into their activities beyond the lifetime of the project.

4.37 A Health Innovation Catalyst programme was also introduced, based on the model developed by the Lancaster University Management School, which involved engaging stakeholders around shared challenges and opportunities to facilitate collaboration that leads to transformation in places.

4.38 Finally, the HICommunity support offering entailed business support, alongside a fully funded hot-desking space. The business support offered included meeting with a partnership development manager for three hours per week over six months to identify resources across the University that can help them achieve their objectives through knowledge exchange.

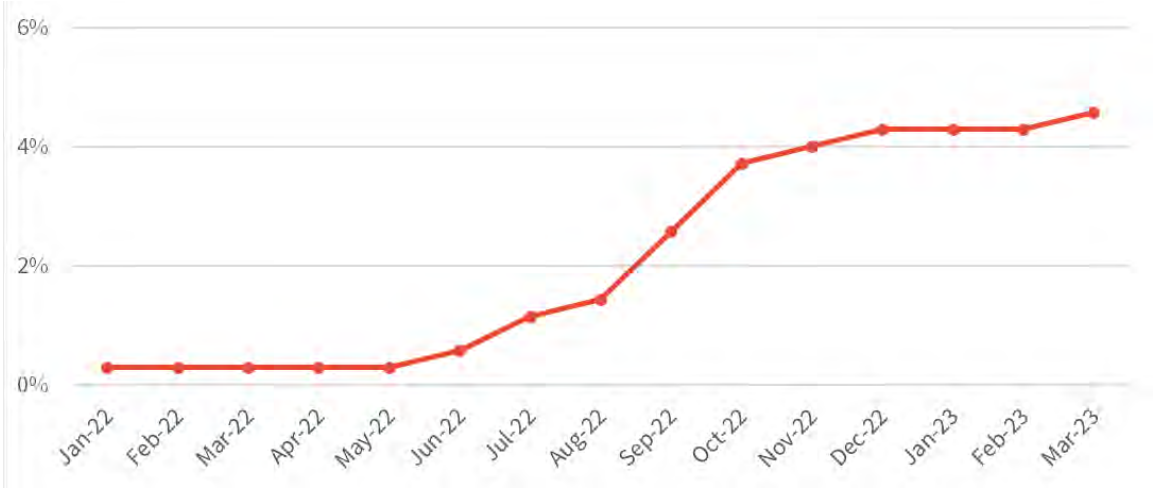
4.39 Delivery staff commented that the implementation of new support strands was straightforward, but lengthy as due process had to be followed.

The Health Innovation One building created momentum for a health innovation cluster, despite progress being slower than anticipated.

4.40 Delivery staff unanimously agreed that progress on establishing the Health Innovation One building as a vibrant hub of business activity has been slower than anticipated, despite proactive engagement efforts and offering fully funded hot-desking space though the HICommunity support.

4.41 Nevertheless, consultees noted that they have seen early evidence of a business community forming at HI One. They noted that as more SMEs have started using the building, the value of forming a community of like-minded businesses has become more evident to them. A consultee noted that business breakfast events have been organised to encourage networking. They noted that networking primers and workshops could be offered to make sure business owners are equipped to make the most of the networking opportunities the building can facilitate.

Figure 4.2 Hot-desk days take-up between January 2022 – March 2023 (% of hot-desk days*)



Source: Lancaster University, 2023. *Note: There are about 70 hot-desks. This can vary based on different furniture layouts and desk sizes. Businesses can opt for a day lease right through to a five-day lease, which implies a 350 hot-desk days capacity.

4.42 Consultees recognised that although take-up of hot-desking space has been slow, the project has been more successful in terms of attracting office space occupants. 53% of the available office space being occupied as of March 2023, compared to 23% of hot-desks (or 5% of hot-desk day capacity[15]) being taken-up. It was noted that as the project evolved, the decision was taken to widen the focus of potential occupants to strategic partners. The rationale was that establishing a network of partners generates opportunities that can be leveraged to attract businesses in the building. Consultees noted that there has been traction in attracting research partners to HI One.

4.43 Some consultees remarked on the wider benefits facilitated by the HI One building. They noted that the building was used as a Covid-19 vaccination centre, meaning it has been visited by nearly anyone living in Lancaster. In light of this, they highlighted its potential to act as a community health action hub.

4.44 Consultations indicated that there is institutional support for the development of a vibrant business community at HI One beyond the lifetime of the project, with the aim of catalysing a health innovation cluster in Lancashire in the long-term. Consultees noted that a community manager has been appointed to create a programme of events to achieve this objective. They will start in their role on 1st August 2023.

[15] There are about 70 hot-desks. This can vary based on different furniture layouts and desk sizes. Businesses can opt for a day lease right through to a five-day lease, which implies a 350 hot-desk days capacity.

Summary

The management and governance structures of the project came under strain as a result of leadership changes that saw the Health Innovation Campus Board being disbanded. Since the project was subsumed in the Research and Enterprises Services of the University, effective internal governance process that encourage collaboration and accountability has been restored, while closer integration of the Faculty of Health and Medicine into the project has been sought. The project continued to lack formal external governance arrangements, but it has engaged informally with various types of strategic stakeholders. Consultees remarked on the role of the HI One building as a focal point for wider strategic conversations and its potential to catalyse a health innovation cluster in Lancashire.

Although the project reached a large number of businesses in the health and wellbeing sector, it faced marketing and engagement challenges that were more prominent in the case of encouraging take-up of workshops and hot-desk space in the HI One building. These challenges were primarily attributed to the economic climate post Covid-19. However, limited marketing and engagement staff capacity and difficulties in clearly articulating how innovation support from the HIC could be beneficial to businesses were also recognised as contributing factors.

The delivery model was adapted to respond to businesses' changing needs. This included introducing offerings such as student placements, for which demand proved to be high, and the Health Innovation Catalyst programme. Moreover, the client journey was adapted so that businesses can access all the services of the HIC project, without having to attend a workshop first. The business support offered through HICommunity provided an additional pathway to support, while it also sought to encourage businesses into the HI One building through a fully funded hot desk space. Consultees remarked that the delivery model became more robust as a result of these changes, offering better links between early and technical support and aftercare.

5. Experience of Beneficiaries

5.1 This section reviews progress with targeting and recruiting beneficiaries and beneficiary insights into experiences with the project and the extent to which it has helped them to achieve outcomes and impacts.

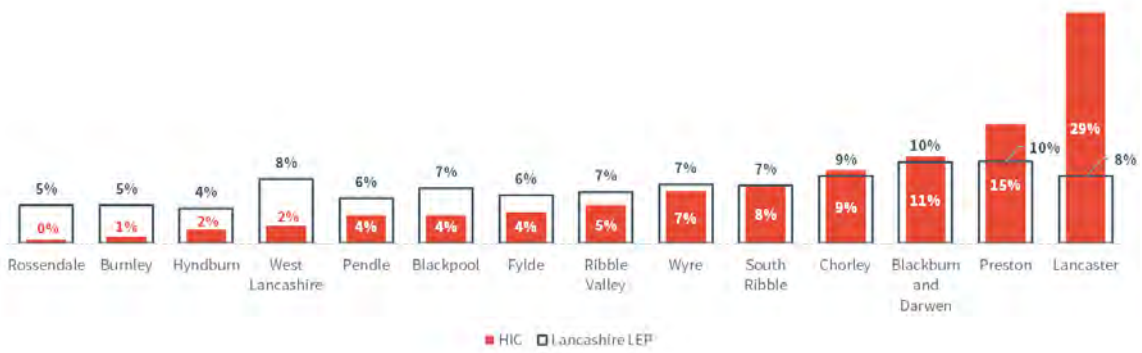
5.2 To inform this review, we have drawn on evidence gathered through:

- **A review of the latest project monitoring data provided by Lancaster University (ESIF form 1-013)**, which covers 230 of the businesses supported from Q1 2018 to the end of Q1 2023.
- **A survey of SMEs that have received support through the Health Innovation Campus project**. An online survey of beneficiaries run for two weeks between April and May 2023. Out of the 233 beneficiaries contacted, 45 responses were elicited (including 31 completed and 14 partial responses) representing a response rate of 19%. Where all respondents have answered each question, this implies are margin of error of +/-13% at the 95% confidence interval.
- **A selection of case studies**, developed through in-depth beneficiary consultations, providing insight that explores the greater complexity of how the business support has generated and can sustain improvements in performance, in addition to exploring the key challenges and successes in delivery from the viewpoint of beneficiaries and suggestions for improvements for the remaining delivery period and the design of any future projects.

SMEs Supported

5.3 This analysis is based on 230 businesses that were included in the Q1 2018 to Q1 2023 project monitoring data (ESIF form 1-013) provided. The majority of businesses supported by the HIC were located in the Lancaster (29%), Preston (15%) and Blackburn and Darwen (11%) local authority district areas. In comparison to the geographic profile of SME businesses across the Lancashire LEP, Lancaster and Preston based businesses were over-represented among the HIC beneficiary base (29% vs 8% and 15% vs 10% respectively).

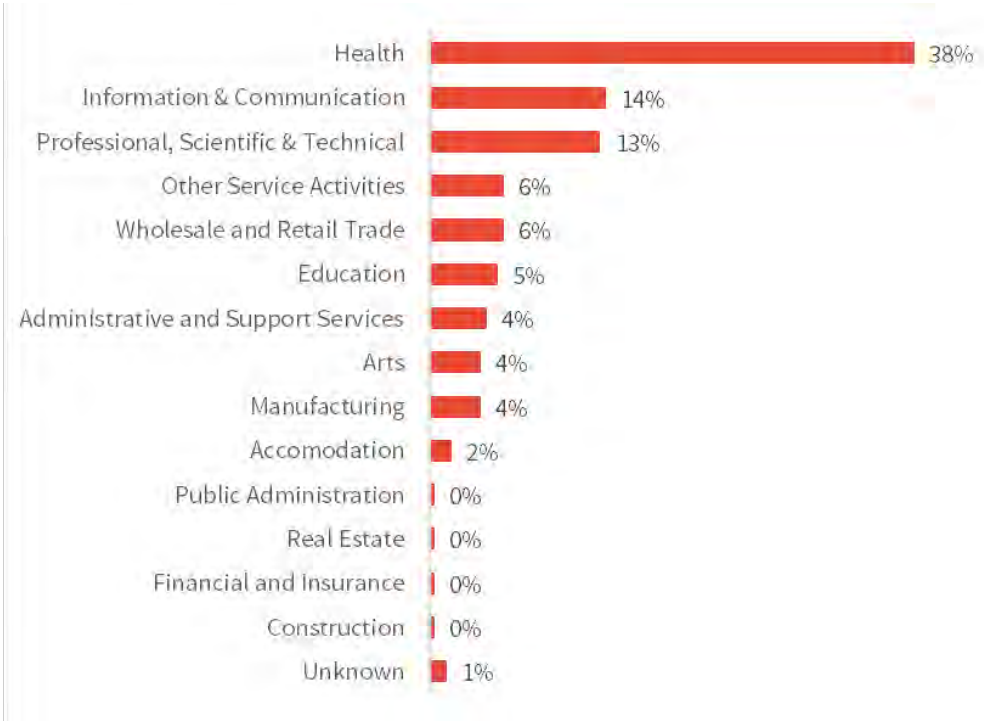
Figure 5.1 Local authority of businesses supported as of Q1 2023 (% of businesses)



Source: Health Innovation Campus ESIF Form 1-013, Q1 2023; UK Business Counts, ONS, 2022.

5.4 HIC primarily engaged with businesses operating in the human health and social work sector (38%) followed by the information and communication sector (14%) as well as operating in the professional, scientific, and technical sector (13%). This is in line with consultee remarks that while the project has been successful in reaching a large number of businesses already working in the health and wellbeing sectors, it has not been as successful in attracting business from other sectors that have the potential to diversify in this space.

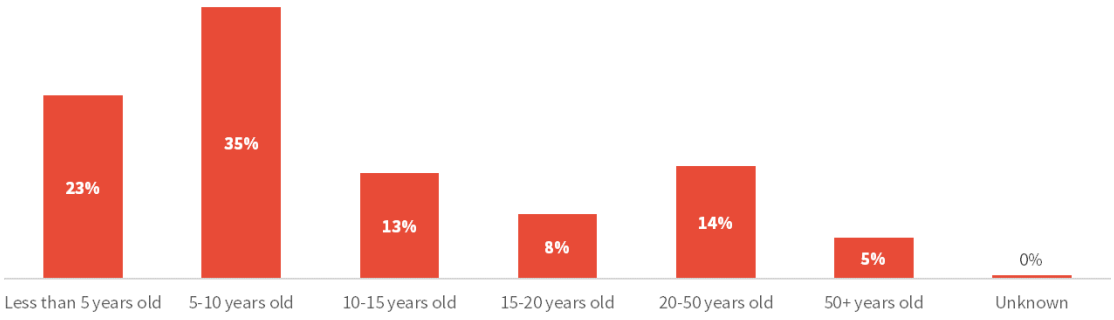
Figure 5.2 Sector of businesses supported as of Q1 2023 (% of businesses)



Source: Health Innovation Campus ESIF Form 1-013, Q1 2023.

5.5 HIC attracted a mixture of young and established businesses. Over half of the businesses (58%) supported by the project have been operating for less than 10 years, while almost a fifth (19%) of businesses supported by the project have operated for 20 or more years.

Figure 5.3 Age of businesses supported as of Q1 2023 (% of businesses)



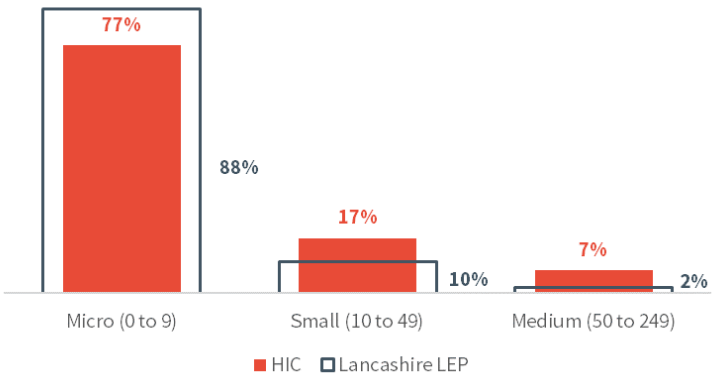
Source: Health Innovation Campus ESIF Form 1-013, Q1 2023; UK Business Counts, ONS, 2022

5.6 On average, the businesses supported employed 13 staff. However, the median number of employees was 2, suggesting the average employee figure is skewed by the number of staff of a

few larger businesses. The breakdown of micro (0 to 9 employees), small (10 to 49 employees) and medium (50 to 249 employees) sized businesses confirms that HIC predominantly catered to micro businesses (77%), followed by small businesses (17%).

5.7 The comparison to the size profile of the businesses in the Lancashire LEP area suggests that the project was relatively more attractive to small and medium businesses. Small businesses made up 17% of all beneficiaries, although they represent only 10% of all Lancashire LEP based SMEs. Similarly, medium sized businesses were over-represented by 5% among beneficiaries supported as of Q1 2023.

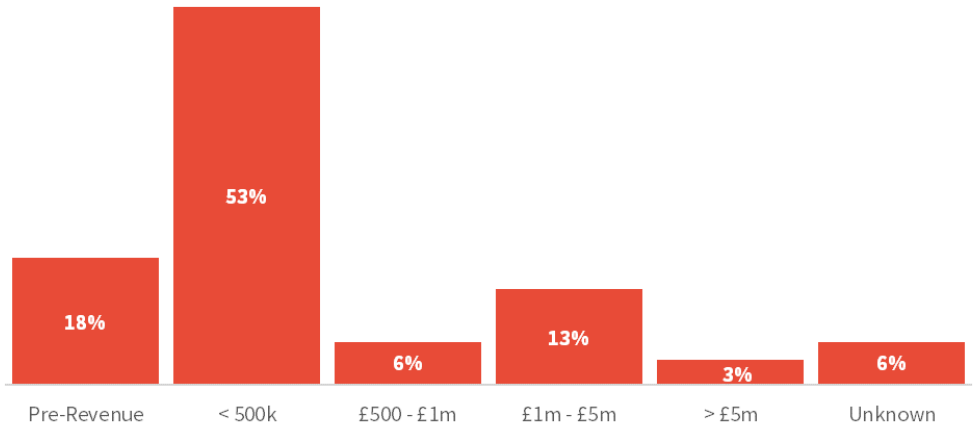
Figure 5.4 Size of businesses supported as of Q1 2023 (% of businesses)



Source: Health Innovation Campus ESIF Form 1-013, Q1 2023; UK Business Counts, ONS, 2022

5.8 On average, the annual turnover of the businesses supported was c. £919,400, while the median annual turnover was c. £70,700 suggesting that the average turnover figure is skewed by a few large companies. Figure 5.5 confirms that the project supported lower value companies. 71% of businesses supported were either pre-revenue companies (18%) or they had an annual turnover of less than £500,000 at the time of seeking support (53%).

Figure 5.5 Turnover band of businesses supported as of Q1 2023 (% of businesses)



Source: Health Innovation Campus ESIF Form 1-013, Q1 2023; UK Business Counts, ONS, 2022

Business Outcomes

Motivations for seeking support

The rationale of the HIC project reflected beneficiaries' motivations for seeking support.

5.9 Table 5.1 summarises the most and least significant barriers to business growth and improvement reported by survey respondents. It suggests that prior to the HIC project support, beneficiaries' efforts to innovate were primarily inhibited by a lack of access to scientific facilities and new technologies (50% of survey respondents), innovation skills (44%) and quality and suitability of business plan (41%).

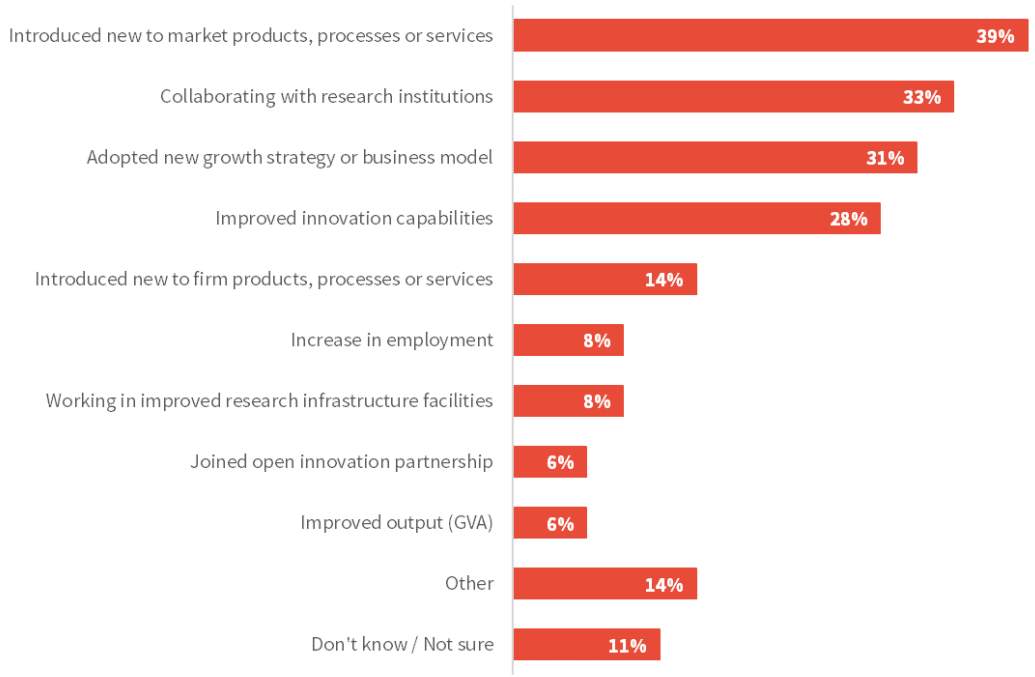
Table 5.1 Barriers to business growth and improvement according to survey beneficiaries (% of respondents)

Top 3 barriers	Least common barriers
Access to scientific facilities and new technologies (50%)	Leadership skills (26%)
Innovation skills (44%)	Access to scientific and technical knowledge (24%)
Quality / Suitability of business plan (41%)	Skills and knowledge to secure external funding (6%)

Source: Hatch, Beneficiary Survey, 2023. N=34. (Q14.a-Q14.h, respondents answering significant or very significant)

5.10 Survey respondents were asked how they were hoping to grow their business when they first started working with the Health Innovation Campus projects. As shown in Figure 5.6, the majority of beneficiaries wished to introduce new to market products, processes or services (39% of respondents), collaborate with research institutions (33%), adopt a new growth strategy or business model (31%) and improve their innovation capabilities (28%).

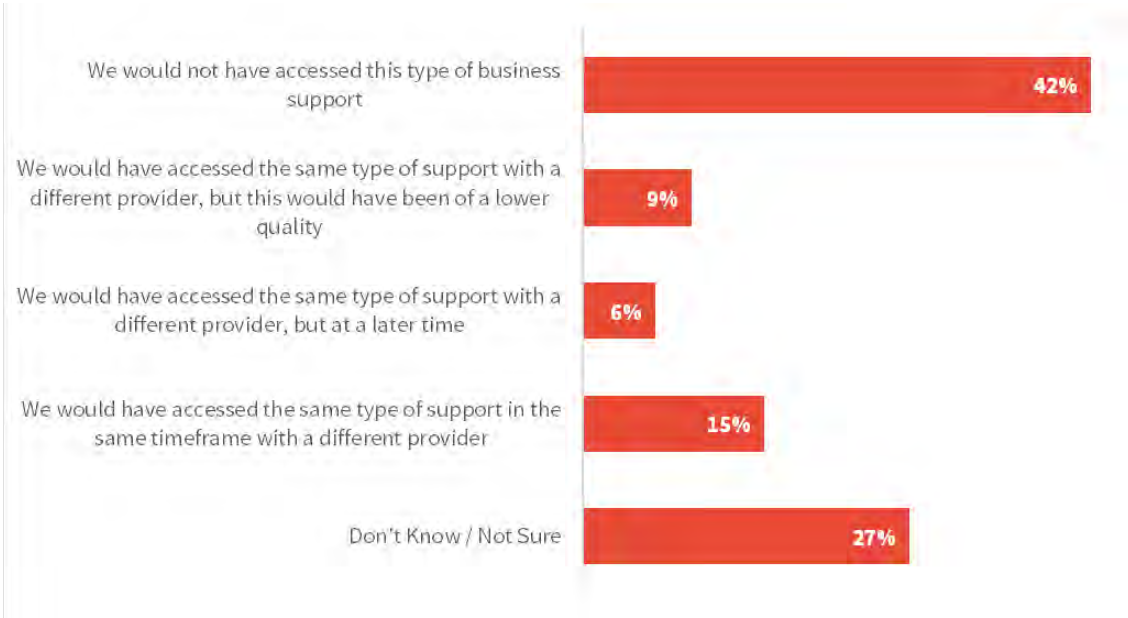
Figure 5.6 Survey respondent's goals when they first started working with the HIC project (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. N=36.

5.11 To understand if beneficiaries would have been able to achieve their ambitions by accessing support from other providers, survey respondents were asked to consider what they would have done without support from the HIC project. Figure 5.7 that the HIC project provided support that a large share of business would not have been able to access through other providers. More than two fifths (42%) of survey respondents reported that they would not have accessed this type of business support.

Figure 5.7 What would you have done without the support from the HIC project? (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. N=33.

Beneficiaries were primarily attracted to the quality and workspace specifications of the Health Innovation One building.

5.12 The survey sought to understand beneficiaries' motivations for seeking to occupy space in the Health Innovation One (HI One) building and what the implications of not being to access workspace at HI One would have been. However, survey findings with respect to these questions should be treated as indicative as they are based on a small sample of respondents.

5.13 The quality of the building and the specifications of the workspace (100% of respondents), the affordability/flexibility of the workspace (60%), the reputation and track record of success of the University (60%) and the community of similar entrepreneurs (60%) were among the top reasons cited[16].

5.14 Survey data suggests that the majority of beneficiaries (60% of respondents) would have looked for an alternative general workspace (not in an incubator). This was followed by looking for another incubator offering similar support (20% of respondents). These findings reflect some consultees' observations that there is a supply of co-working spaces in Lancashire (but also Manchester) that the HI One building had to compete against. Moreover, an additional 20% of respondents indicated that they would have tried to grow the business from home[17].

[16] Hatch, Beneficiary Survey, 2023. N=5.

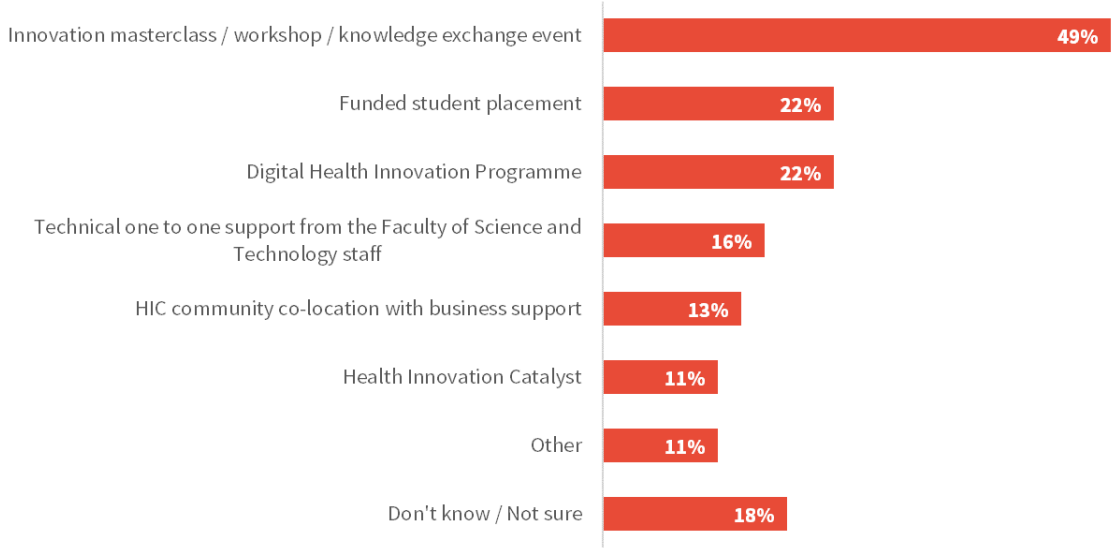
[17] Hatch, Beneficiary Survey, 2023. N=5.

Experience of support

Overall, beneficiaries' felt the support provided by the HIC has been beneficial.

5.15 The most common types of support received were innovation masterclasses, workshops, and knowledge exchange events (49% of respondents). This was followed by the digital health programme (22%) and funded student placements (22%).

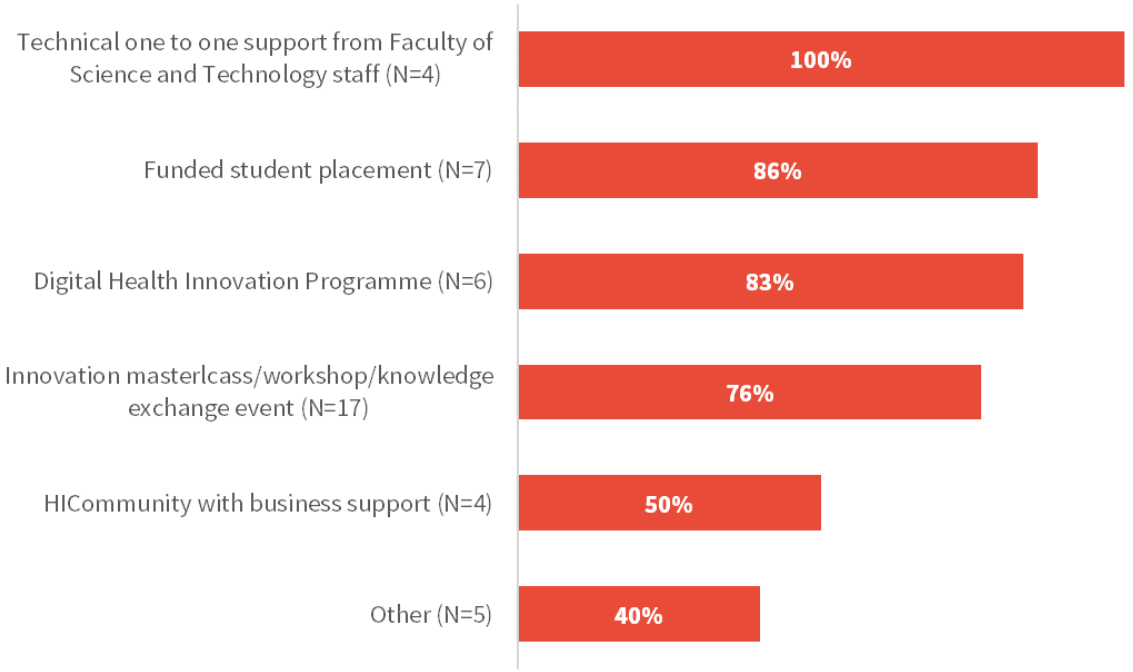
Figure 5.8 Type of support received through the HIC project (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. N= 45

5.16 The suitability and bespoke nature of the support was rated highly by beneficiaries. On average across types of support, over three quarters of respondents found that the support provided by the HIC was suitable or very suitable (77%) and tailored or very tailored (76%). Beneficiaries also felt that the support accessed through the HIC increased their knowledge and understanding of the topics covered; over two thirds (67%) agreed or strongly agreed with this statement. As such, on average across types of support, 69% of survey respondents expressed the view that the support accessed through the HIC project was beneficial or very beneficial. **Error! Reference source not found.** shows that the three most accessed support types (including innovation masterclass/workshop/knowledge event, funded student placement and the digital health innovation programme) were highly regarded by survey respondents in terms of how beneficial they have been.

Figure 5.9 Percentage of respondents agreeing that the support received was beneficial or very beneficial



Source: Hatch, Beneficiary Survey, 2023. Note: The 'Health Innovation Catalyst' has been excluded due to a small sample base (N=2).

There is limited evidence on long-term retention of HI One building occupant attracted via the fully funded hot desk space incentive programme.

5.17 Six survey respondents (16% of the sample base[18]) indicated that they currently use space in the HI One building, all of whom indicated that they only used co-location space/hot desk facilities. Two of the survey respondents first moved into the building in 2021, while the remaining three first moved in 2022[19]. Five of the survey respondents accessed a fully funded hot desk space through the HICommunity Support offering when they first entered the building[20].

5.18 The survey asked beneficiaries to indicate whether they intend to stay in the HIC building after the fully funded hot desk space contract expires. Two of the five (40%) respondents said they intend to stay in the HIC building after the fully funded hot desk space contract expires, while an additional two (40%) said they did not know/were not sure. Only one of the respondents said they did not expect to stay in the HIC building. While this evidence is promising in terms of business retention following the expiration of the fully funded hot desk space contract, it is based on a very small sample of respondents, and hence it should be treated as indicative.

[18] Hatch, Beneficiary Survey, 2023. N=37.

[19] One respondent did not indicate when they first moved into the building.

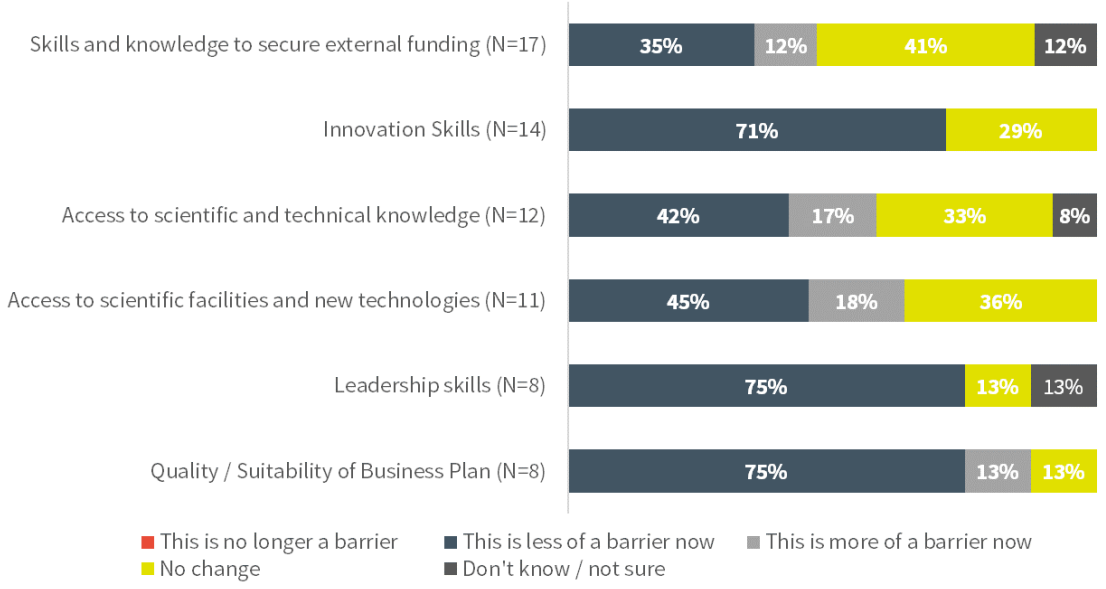
[20] One respondent did not indicate whether they accessed a fully funded hot desk space through the HICommunity Support offering when they first entered the building.

Indicators of business change

Support from the HIC project played a key role where beneficiaries made progress against growth barriers.

5.19 **Error! Reference source not found.** suggests that beneficiaries made progress in terms of addressing barriers association to innovation skills, leaderships skills and the quality/suitability of their business plan. At least 70% of survey respondents indicated that each of these barriers were less of a challenge now. On the other hand, a relatively smaller share of business indicated that access to scientific and technical knowledge (42%) and scientific facilities and new technologies (45%) has become less of a barrier now. Similarly, skills and knowledge to secure external funding remains a challenge for about two fifths (41%) of businesses. However, this was not identified as an important barrier to growth by beneficiaries, as shown in Table 5.1.

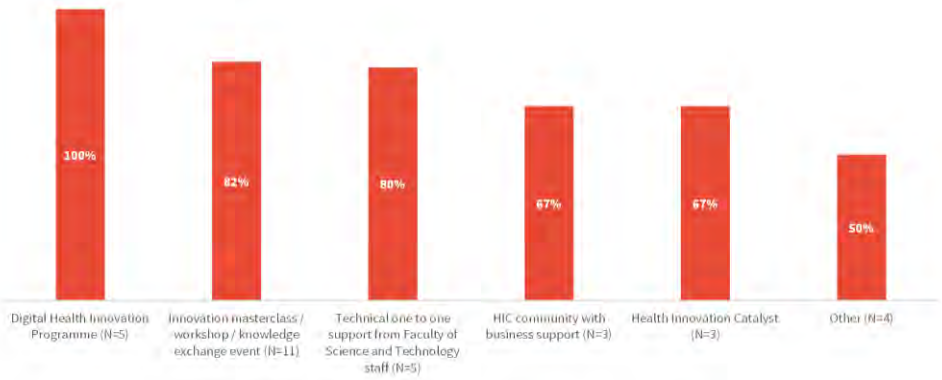
Figure 5.10 Progress made against overcoming barriers to growth (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. Note: The 'Adequate Space' option has been excluded due to a small sample base (N=1).

5.20 Beneficiaries were asked to consider how much of a role each type of support accessed played in overcoming barriers to growth. On average across support types, 71% of respondents said that the support provided by the HIC project played a big role or was entirely responsible for addressing growth barriers. Figure 5.11 shows that for the most commonly accessed form of support – innovation masterclass, workshop, and knowledge exchange events – that figure rises to 82% of survey respondents.

Figure 5.11 The type of support played a big role or was entirely responsible for overcoming growth barriers (% of respondents)

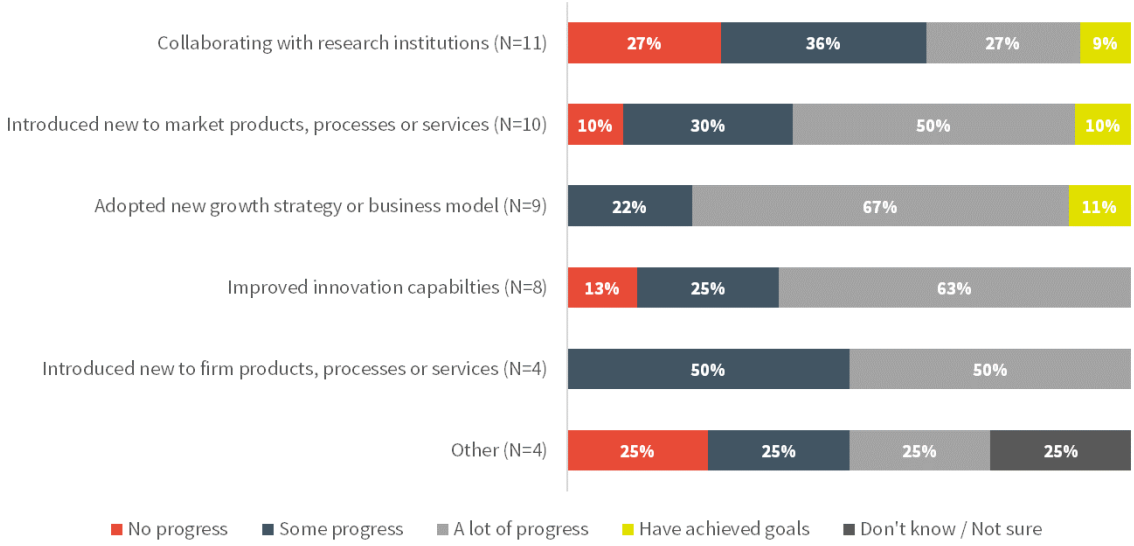


Source: Hatch, Beneficiary Survey, 2023. Note: The 'Funded Student Placement' option has been excluded due to a small sample base (N=2).

Beneficiaries reported progress against the most popular goals for seeking support.

5.21 Figure 5.12 shows that respondents reported making at least some progress with respect to the most commonly cited goals for seeking support, including introducing new to market products (90%), collaborating with research institutions (73%), adopting a new growth strategy or business model (100%) and improved innovation capabilities (88%).

Figure 5.12 Progress made against achieving goals (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. Note: The 'Worked in improved research infrastructure facilities', 'Increase in employment', 'Increase in output (GVA)' and 'Joined Open Innovation partnerships' option were excluded from the chart due to small bases (N=3 or less).

Occupying space in the Health Innovation One building helped beneficiaries expand their network of contacts.

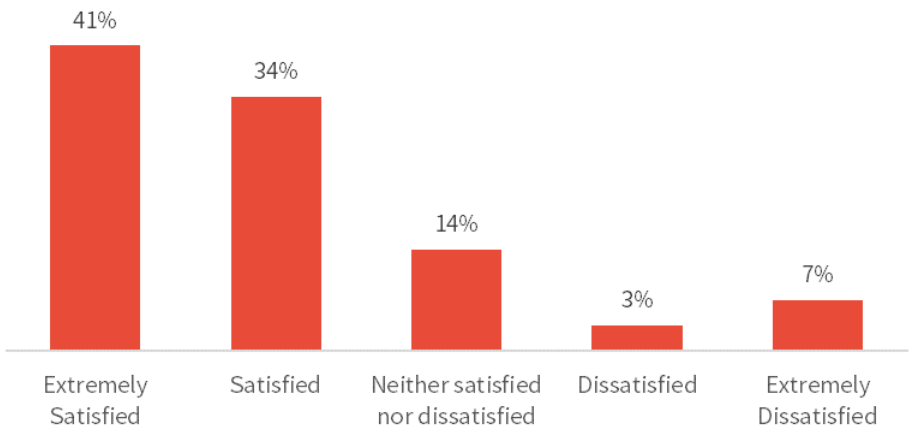
5.22 Survey respondents currently using the HI One building were asked to reflect on how occupying space has been beneficial for their business. Three quarters (75%)[21] of respondents agreed or strongly agreed that occupying space in the HI One building has been effective in terms of helping expand a network of contacts, of whom two thirds (67%) felt that this benefit would not have been achieved or it would have been achieved to a lesser extent without occupying space in the building. Similarly, 75% of respondents indicated that occupying space in the building provided access to new clients and customers[22], but only a third (33%) felt that this would not have been achieved or it would have been achieved to a lesser extent without occupying space in the building. As aforementioned, survey findings with respect to these questions should be treated as indicative as they are based on a small sample of respondents.

Overall Satisfaction

High overall satisfaction with the support received from the HIC project.

5.23 Three quarters (75%) of survey respondents indicated they were satisfied or extremely satisfied with the support that they received from the HIC project, while 10% expressed some degree of dissatisfaction.

Figure 5.13 Beneficiary satisfaction with the support that they received (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. N=29

5.24 Survey respondents were asked whether, based on their experience of the project to date, they would have been willing to pay to access the support if it had not been available free of charge. The majority (59%) indicated that they would not have been willing to pay to access this support[23], while a large share (38%) of respondents reported that they were unsure or preferred not to say. This suggests that without public interventions businesses would not have

[21] Hatch, Beneficiary Survey, 2023. N=4.

[22] Hatch, Beneficiary Survey, 2023. N=4.

[23] Hatch, Beneficiary Survey, 2023. N=29.

experienced some of the aforementioned benefits associated with receiving support for the HIC project.

5.25 Moreover, beneficiaries who indicated that they occupied space in the HIC building were asked whether they would recommend it to businesses similar to their own. Of the three businesses that responded to this question, two were likely or very likely to recommend it.

Case Studies

5.26 The case studies shown in the figures below provide insights into the impact of the HIC project for business support beneficiaries, drawing on in-depth consultations undertaken with two businesses that have benefitted from the project. The case studies seek to explore the mechanisms through which support was effective for beneficiaries.

Figure 1.1 Case Study 1

Escape2Make Provides workshops and short courses to boost the mental wellbeing of 11- to 18-year-olds

Local Authority: Lancaster
Sector: Charity
Type of support received: Leadership course, intern and networking opportunities

2018 — Founder reaches out to LU
May 2019 — Charity Created
September to December 2020 — Leadership course accessed
April 2023 — Intern joins the charity

Escape2Make makes use space in the HIC building for a second time to facilitate a meeting with strategic stakeholders.

Escape2Make is open to future collaboration with the HIC to create further partnerships.

Reason for seeking support: The founder reached out to an academic in 2018, as the HIC facilities were being built, and met the HIC Director. Escape2Make was seeking support to evaluate its delivery past, present and future as well as outlining social valueavenues. This would assist the charity to attract further funding for expansion and improving delivery processes.

Project support activities
The project provided a variety of services:
- Leadership course was accessed between September and December 2020
- An intern providing internal support
- Networking opportunities
- Provided space in the HIC building as a venue for an away day

Benefits
- Networking opportunities provided by the HIC has led to mentorship for Escape2Make founder
- The HIC helped Escape2Make find an intern
- Assisted in introducing founder of Escape2Make to people within the county council
- Charity continues to use the HIC building for stakeholder meetings

Limitations/ Challenges
- Difficulty identifying academics to deliver the evaluation work
- The HIC project could not help capture funding or create an active research model
- Accessibility to the HIC building due to lack of transportation routes

"The HIC building is a great venue for bringing different stakeholders together. Meanwhile, the business support the project provided enabled me to expand my network, gain mentorship and find an intern."

Source: Hatch, 2023

Figure 1.2 Case study 2

Moderate Ltd Digital health company that aims to support wellbeing and mental health

Local Authority: Lancaster
Sector: Health
Type of support received: Digital technical support, student placement, hot desk

April 2021	June – August 2022	September 2022 - ongoing	October 2022 – April 2023	
Business Created	Student support	Hot desk space leased	Digital technical support received	*Develop fully trialled and tested chatbot that can be shown to investors to capture additional funding.*

Reason for seeking support: Moderate Ltd was seeking business support to develop a chatbot protype. The owner was aware of Lancaster University's excellent research facilities and felt that the HIC project would support his startup's aspirations.

Project support activities
The project provided a variety of services:
- Provided training
- Assisted in the development of the prototype chatbot
- Provided regular meetings and updates on the chatbot and relevant documents regarding progression of its development

Benefits
- A hot desk in the HIC building
- Supplied a student who worked 140 hours, provided vision and goals and provided inputs for the chatbot
- Research and development of chatbot prototype

Limitations/ Challenges
- There were some delays in delivering support, which protracted the research and development timeframe

"The HIC project has supported the development of a chatbot prototype. This has helped Moderate Ltd get one step closer to putting mental health support in people's hand."

Source: Hatch, 2023

Key Summary

Overall, beneficiaries were satisfied with their experience with the Health Innovation Campus project, with three quarters (75%) of survey respondents reporting that they were satisfied or extremely satisfied. The support provided by the HIC project was deemed beneficial by beneficiaries. On average across support types, 69% of respondents said the support was beneficial or very beneficial.

Beneficiaries proceeded to indicate that they made progress towards overcoming barriers and achieving their goals after receiving support from the HIC. For each of the most commonly cited goals, including introducing new to market products, collaborating with research institutions, adopting new growth strategy/business model and improved innovation capabilities, at least 70% of survey respondent noted at least some progress towards achieving their goal. Notably, beneficiaries noted that where they have progressed towards overcoming growth barriers, the support from the HIC project was an important contributing factor. On average across support types, 71% of survey respondents said that they the HIC project played an important role in or was entirely responsible for their progress.

6. Impacts and Value for Money

6.1 The assessment of the economic impact of the Health Innovation Campus draws on the evidence gathered through an online survey undertaken between April and May 2023. Out of the 233 beneficiaries contacted, 45 responses were elicited (including 31 completed and 14 partial responses). This represents a response rate of 19% (+/-13% margin of error at 95% confidence level).

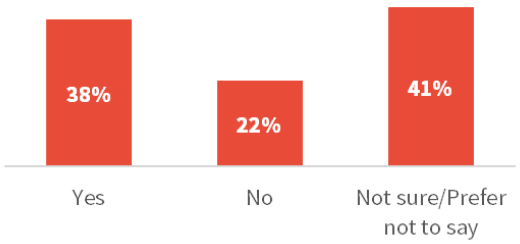
6.2 It is important to note that the impact estimates are based on self-reported perceptions of businesses on how the support has enabled them to change business practices and how this has influenced their current and future expected business performance. The estimates are subject to several limitations which are outlined below. As a result, the impact and value for money estimates provided in this section should be considered as indicative only. In light of these limitations, the value for money assessment has been supplemented with a cost efficiency review analysis.

Impact Assessment

Approach and Limitations

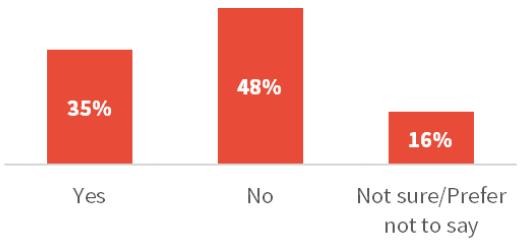
6.3 To assess changes in business performance, survey respondents were asked to indicate whether the Health Innovation Campus project has had or will have an impact on their business turnover or employment. It shows twelve respondents (38% of the sample) reported the project had had or will have positive impact on their turnover and eleven (35%) reported a positive impact on employment.

Figure 6.1 Project had or will have an impact on business turnover (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. N=32

Figure 6.2 Project had or will have an impact on employment (% of respondents)



Source: Hatch, Beneficiary Survey, 2023. N=31

6.4 Those indicating that their business performance was or will be impacted by the project were then asked to provide data on the magnitude of change in business turnover and employment and on a series of additionality factors to allow for the modelling of net additional impacts. Of the 12 beneficiaries reporting an impact on business turnover, only seven provided information on the magnitude of that change (3% of beneficiary population) while only four quantified the change in employment (2% of beneficiary population).

6.5 The limitations this imposes on the impact assessment are as follows:

- **High margin of error:** GVA and employment impact estimates are subject to a high margin of error given the small sample size achieved. At a 95% confidence level, there is a high margin of error with respect to whether the project has had or will have an impact on beneficiary turnover (+/-16%) and/or employment (+/-16%). In other words, the number of beneficiaries experiencing a change in business performance could vary substantially from the central figure (plus or minus 16%). Moreover, the sample of respondents who were able to quantify the impact on business performance was very small, meaning the estimates of economic impact are subject to an even greater degree of uncertainty.
- **Challenges in self-reporting:** Businesses are generally sensitive about revealing turnover data. To improve response rates, the survey asked businesses to estimate turnover either through an approximation or within given brackets. This is a limitation because it generates only broad-based rather than specific figures. However, it is a widely used approach which strikes a balance between beneficiary sensitivity and confidentiality, and the need to generate quantitative estimates. The survey also asked businesses questions in order to estimate the level of additionality from the assist. This is discussed further below but there are inherent difficulties that businesses may face in attempting to answer such questions which again affect the quality of the data produced.

6.6 There are also some additional limitations associated with the timing of the analysis:

- it may be too early for many businesses to assess whether the support received will have an impact on turnover. The findings of the survey in Chapter 5 show that the support received has helped a large proportion of businesses to make progress towards their goals but very few have achieved them yet. Therefore, there may be future benefits for these businesses that they are unable to assess at the current time.
- external economic factors associated with the Covid-19 pandemic, the EU Exit and the cost of living crisis may have an impact on the reported uplift in turnover and employment of the business surveyed.

6.7 These limitations mean that **the evaluation's findings on the gross and net economic impacts of the project based on the survey are subject to significant uncertainty, and should therefore be regarded as indicative**.

Additionality

6.8 Using beneficiaries' responses, the gross turnover and employment figures have been adjusted to estimate how much of the change is due to the HIC project activities. The following additionality factors were applied:

- **Deadweight** – This refers to the extent to which the gross change in business performance would have occurred without participation in the HIC project. To assess deadweight, survey participants were asked to consider to what extent change in business performance could be attributed to the support received by the project. Respondents indicated that:
  - 30% of growth in turnover to date (N=7) and 32% of expected growth in turnover could be attributed to the HIC project (N=6). This implies a deadweight factor of 70% and 68% respectively.

  - 50% of growth in employment to date (N=3) and 63% of expected growth in employment could be attributed to the HIC project (N=10). This implies a deadweight factor of 50% and 37% respectively.

- **Displacement** – This accounts for growth of businesses which worked with the project at the expense of other businesses in the Lancashire LEP area. On average, displacement accounted for 31% of the growth of the sample businesses (N=31).
- **Leakage** – This accounts for the proportion of employment impacts that benefit those living outside the Lancashire LEP area. On average, this accounts for 37% of the growth impacts for the sample businesses (N=31).

Optimism bias

6.9 No optimism bias was assumed for assessing change in employment and turnover to date, as it was assumed business would provide this information on an objective basis. There is greater uncertainty and a more significant risk of businesses being over-optimistic when asking people to forecast future impacts. Formal optimism bias guidance from HM Treasure focusses on capital costs and does not recommend a reasonable assumption about optimism bias. The qualitative guidance available in this respect suggests that sensitivity analysis should be used where no other evidence is available. Therefore, 20% is applied as a conservative central optimism bias assumption for the value for money assessment, which implies that 80% of future impacts expected by beneficiaries will be realised. To reflect uncertainty around this, a +/-20% sensitivity analysis was carried out.

Multipliers

6.10 While the above considers the direct impact on the beneficiary companies, there will also be multiplier effects arising from the project, generated through indirect additional spending along the supply chain in the Lancashire LEP area, as well as through the induced spending of employees. The modelling of GVA and employment impacts relating to this draws from Hatch's in-house regional input-output model for the North West adjusted for the Lancashire LEP impact area.

Persistence

6.11 The survey assesses the potential for improved business performance which occurs as a result of HIC support, to lead to additional employment and GVA generation over the next year. It has been assumed that these impacts will persist beyond this for a further two years (so three years' persistence in total), but reducing year on year, before decaying as other factors start to exert a larger influence on business performance. This is a reasonable persistence period to assume for employment and GVA impacts, and consistent with assumptions in other Summative Assessments carried out by Hatch.

Grossing Up

6.12 As outlined above, the modelling of impacts is based on a sample of 7 beneficiary respondents for the GVA analysis and 4 beneficiary respondents for the employment analysis. To assess the economic impacts for the full population, these figures are grossed up to the total number of beneficiaries expected to be achieved by the end of the project (284 businesses), adjusted by the proportion of survey respondents reporting a change in turnover (38%) or employment (35%)

performance. As noted above, the small sample of businesses that provided data on business performance means this is subject to very large margins of error.

Indicative Impact Estimates

Gross changes in turnover and employment

6.13 The beneficiaries which responded to questions about employment report a gross increase in employment following the HIC support and into the future of 8 full-time equivalent (FTE) jobs. The beneficiaries which responded to questions about their turnover report a gross increase in GVA of £176,300 occurring over the course of the project and into the future.

6.14 Grossing up GVA and employment impacts to the project level into the future, we estimate a gross increase in GVA of £2.7m. The gross increase in employment is estimated at 189 FTE jobs.

Net Impacts

6.15 By applying the additionality adjustments described above to the gross changes in business growth, we estimate the total increase in GVA as a result of the HIC project at £765,600 and the total increase in employment is 27 FTE jobs.

Table 6.1 Gross additional to total net additional GVA and employment

	Total GVA	Total Employment
Gross additional impact	£2,682,300	189
Minus deadweight	*£1,898,500*	*95*
Minus displacement	*£73,000*	*63*
Minus leakage	*n/a*	*4*
Minus optimism bias	*£64,900*	*4*
Direct net additional impact	£645,800	23
Plus indirect and induced impact	*£119,800*	*4*
Total net additional impact	£765,600	27

Source: Hatch, 2023. *GVA figures are rounded to the nearest hundred. Figures may not add up due to rounding.

6.16 Based on these impact estimates and total spend by project closure (£3.8m), the project has generated a GVA uplift of £0.20 per £1 spent and a cost per FTE job created of £140,600[24]. **However, given the margin of error and the other limitations described above, this should be treated as indicative and only an initial assessment of the impact and value for money to date. This could increase as businesses make more progress towards their innovation goals.**

Review of Cost Efficiency

6.17 To understand the value for money of the HIC project, this section presents a cost efficiency summary drawing on an analysis of costs per output.

[24] The +/-20% optimism bias sensitivity analysis suggest a GVA uplift range of £0.18 to £0.20 per £1 spent and a cost per FTE job created of £119,800 to £170,300.

The Capital Project

6.18 The project spent c. £12.1 million in capital funding that delivered 3,750 square meters of new facilities. The average cost per square meter delivered (P2) was £3,226, in line with that expected by its target. The average cost per researcher working in improved research facilities (C25) was £228,285. This is below that anticipated by its target (£241,982), reflecting overperformance with respect to the C25 output target.

Table 6.2 HIC Capital Cost per ERDF Output

Output	No.	Cost per Output
C25: Number of Researchers Working in Improved Research Infrastructure Facilities	53	£228,285
P2: Public or Commercial Buildings Built or Renovated (square meters)	3,750	£3,226

Source: Hatch analysis of figures from HIC ERDF Claim From, Q1 2023.

6.19 Due to the limited availability of comparable summative assessments carried out by Hatch, the cost per output achieved by the capital strand of the HIC project has not been compared to that achieved by similar ERDF business support programmes.

The Revenue Project

6.20 To the end of Q1 2023, the project spent c. £3.1 million in revenue funding and by the project end the total spend is expected to reach c. £3.8 million. Given that project completion is close, the analysis within this section is based on the estimated costs and outputs at project end to provide a more realistic review of cost efficiency.

6.21 The project is expected to support 284 businesses by project closure. The average cost of supporting one business (C1) through the project is £13,382. The cost per output of each HIC project ERDF output are shown in Table 6.3.

Table 6.3 HIC Revenue Cost per ERDF Output

Output	No. Estimated	Cost per Output
C1: Number of Enterprises Receiving Support	284	£13,382
C4: Number of Enterprises Receiving Non-Financial Support	284	£13,382
C8: Employment Increase in Supported Enterprises	22	£172,745
C26: Number of Enterprises Cooperating with Research Institutions	80	£47,505
C28: Number of Enterprises Supported to Introduce New to the Market Products	51	£74,518
C29: Number of Enterprises Supported to Introduce New to the Firm Products	56	£67,864

Source: Hatch analysis of data provided by Lancaster University, 2023. Please note, this is based on expected performance to programme closure.

6.22 To assess the cost efficiency of the project it is helpful to compare the costs per output with those achieved by similar ERDF business support programmes. Hatch has evaluated a Summative Assessment for the following comparator projects:

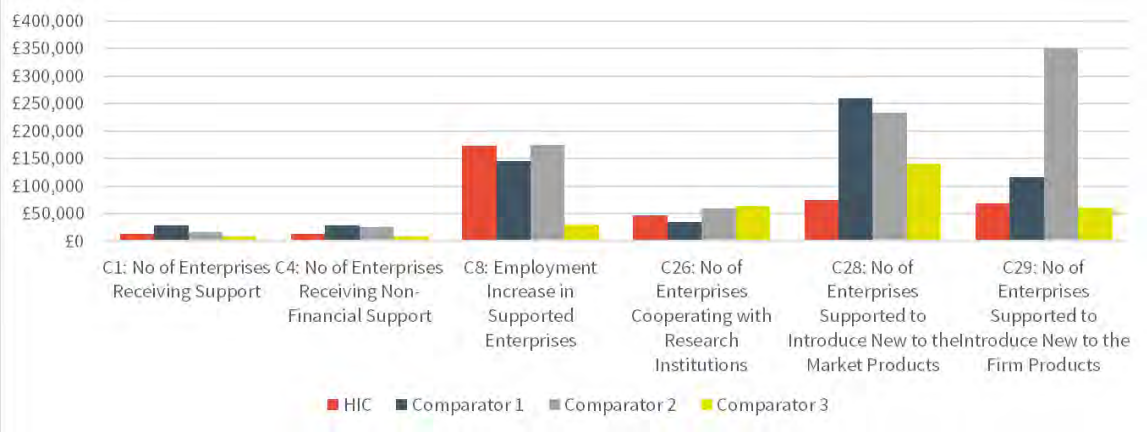
- Comparator Project 1 provided support to manufacturing SMEs with digitalisation including advice and guidance around their innovation strategy, infrastructure integration, new product development and commercialisation.
- Comparator Project 2 provided support to innovation active SMEs in the MedTech sector to facilitate the creation of new medical technologies. This comparator project has been delivered during the Covid-19 pandemic.
- Comparator Project 3 provided one-to-one product innovation support, innovation leadership workshops, digital and eco-innovation advice and supported innovative collaboration with large companies. This is the only comparator project to have operated during the COVID-19 pandemic.

6.23 These projects are not directly comparable due to differences in aims, activities and targets but the comparison provides a broad indication of how the project's value for money compares with others.

6.24 Figure 6.3 shows that the HIC project compares relatively well in terms of cost per output across indicators. The project performed well in terms of cost per enterprise supported (C1/C4), collaborations with research institutions (C26) and businesses introducing new to firm (C29). These are expected to be lower than two of the three comparator projects considered. This suggests that the project managed to deliver outputs at a reasonable cost despite some of the challenges experienced. These included difficulties to engage beneficiaries in workshops post-pandemic, while working on launching new strands of support to facilitate longer term engagements.

6.25 Moreover, it is expected to deliver new to market (C28) products at a lower cost than all three comparator projects. This reflects well on the success of the technical digital support provided through the HIC project, but also on the project team's efforts to diversify the support strands available by introducing student placements, the Health Innovation Catalyst programme and the HICommunity support offering. However, the new jobs (C8) output was delivered at higher cost than two of the three comparator projects.

Figure 6.3 Cost per Output of the HIC Project and Comparator Projects



Source: Hatch, 2023

Value for Money

6.26 This section has drawn on the findings of an indicative impact analysis and a cost efficiency review to provide an assessment of value for money for the HIC project. The cost efficiency review shows that the capital strand of the project has achieved cost per output figures in line with or lower than those anticipated by its targets. The cost efficiency review also indicates that the revenue strand of the project is expected to deliver good value for money across most output indicators.

6.27 On the other hand, the indicative impact analysis carried out based on beneficiary survey evidence collected in April and May 2023 suggests that the project has achieved a low value for money, using GVA per £1 invested and cost per job created metrics. However, as it has been highlighted above, the high margin of error resulting from the small sample of responses achieved significantly limits the usefulness of these impact estimates.

6.28 Moreover, the timing of the analysis is likely to have played an important role. It may be too early for many businesses to assess whether the support received will have an impact on turnover. Moreover, external economic factors (e.g. COVID-19, cost-of-living crisis) may have had an impact on the reported uplift in turnover and employment.

6.29 On balance, taken together, the findings of the cost efficiency review and indicative impact analysis indicate that while outputs have been delivered at reasonable cost, data collection over a longer time horizon is required to accurately understand the impact of the support provided by the HIC project.

6.30 This is reinforced by the findings of Chapter 5. Survey respondents indicated that they have been progressing in terms of achieving the goals they were seeking to achieve when they first approach the HIC project (see Figure 5.12). This included things like collaborating with research institution (73% of respondents made at least some progress), introducing new to market products (80%), adopting new growth strategies/business models (100%) and improved innovation capabilities (88%), the impact of which materialises over longer-term horizons.

7. Conclusions and Recommendations

1.2 This section of the report provides a summary of the main findings of the report, and recommendations for the project going forwards.

Conclusions

Project Relevance and Consistency

7.1 **Project design was well aligned with the HIC's rationale:** The project design was appropriate in terms of the core rationale, objectives and market failures identified. The logic model outlined appropriate outputs, outcomes and impacts based on the delivery model of the project. However, the output targets were set unrealistically high, especially in the case of the number of businesses cooperating with a research entity (C26) target (which was initially set at the same level as the number of businesses supported (C1) target due to a misunderstanding around the type of support qualifying for a C26 business assist under ERDF requirements).

7.2 **The HIC project remained strategically relevant, but challenging socio-economic conditions mean there has been less demand from businesses than originally anticipated:** The strategic and economic landscape changed radically since the project's inception. The HIC project remains of high strategic importance given the increasing emphasis placed on innovation and health & well-being by local as well as central government, which has increased spending on bolstering the NHS and care sector. However, the challenging economic conditions and uncertainty instigated by the Covid-19 pandemic and maintained due to successive economic shocks (including the EU Exit and cost-of-living crisis) led to a shift in SME priorities, support needs and capacity to engage with the project. As a result, engagement has been lower than anticipated in terms of workshops, but also take-up of hot-desk space in the Health Innovation One building.

7.3 **The project team have been pro-active in responding to changing business needs, thus ensuring continued relevance of the project:** A Project Change Request (PCR) was submitted in recognition of the challenges experienced due to the difficult economic climate. This secured an extension of the project to September 2023. The project delivery team took measures to ensure the support available continued to respond to business needs by adapting the client journey and introducing new support strands, including student placements, the Health Innovation Catalyst programme and the HICommunity programme, which offered business support alongside a fully funded hot desk space in the Health Innovation One building.

Progress against contractual targets

7.4 **The project supported a large number of businesses, but performance has been lagging in terms of output targets met:** As of Q1 2023, the HIC project spent £3.1m or 73% of its revised revenue budget. However, with the exception of enterprises introducing new to market products (90% of revised C28 target achieved), the rate at which output targets have been met has been slower. Although the project supported a large number of beneficiaries (229), it has only met 51% of its C1/C4 target. As of Q1 2023, it met 16% of its businesses collaborating with research entities target (C26). In considering drivers of under-performance, consultees recognised the legacy of overambitious target setting by remarking that revised targets set out in the PCR were realistic but remained stretching. They also recognised the impact of the Covid-19 pandemic on

engagement, especially in regard to workshops. In consultations, the specialist business support provider sub-contracted to promote and deliver workshops recognised that they faced similar challenges as those reported by the HIC project team. The new strands of support introduced started yielding outputs in Q1 2023. Some consultees remarked that while these were relatively straightforward to introduce, launching them required time as due process had to be followed. Finally, the technical digital support strand of the HIC project continued to perform strongly, resulting in C26, C28 and C29 outputs.

7.5 **Although the project does not expect to meet most of its target, measures have been put in place to minimise the shortfall**: The project expects to utilise £3.8m or 89% of its revised revenue budget. With the exception of C28 outputs, the project did not anticipate reaching its output targets. It expected to deliver 63% of its C1/C4 and 27% of its C26 output targets. The Q1 2023 Project Progress Report (PPR) noted that output achievement would continue to be supported by the sub-contractor's activities, the project teams' efforts to run additional workshops and promote the HICommunity support offer, student placements and technical digital support. However, it recognised that staff retention as the project comes to a close posed a challenge in terms of efforts to promote the project and deliver outputs.

Delivery and management performance

7.6 **Management and governance structures came under strain due to leadership changes:** These changes led to the dissolution of the Health Innovation Campus Board, which had a negative impact on the effectiveness of internal management and governance structures. Since the project was subsumed in the Research and Enterprise Services of the University, a structured approach to governance that encourages collaboration and accountability has been restored. Consultees were complimentary about the efforts made to better integrate the Faculty of Health and Medicine into the project by working with the Associate Dean of Engagement.

7.7 **Despite the lack of formal external governance structures, the project engaged informally with stakeholders:** Examples include the NHS, Acute Trusts, the Integrate Care Board as well as large companies, such as Cisco and Hitachi. Consultees recognised the strategic value added of the HIC project in terms of demonstrating the University's commitment to make an impact in the health and well-being domain. Investment in the building did not only catalyse a decade's long investment, but it also provided a focal point for wider strategic conversations.

7.8 **The project reached a large number of beneficiaries in the health and well-being sector, despite marketing challenges:** In consultations, delivery staff indicated that workshop engagement challenges and the difficulty of encouraging take-up of hot desk space in HI One can be largely attributed to the changing economic landscape post Covid-19, discussed above. However, they also identified some other persistent challenges, most notably limitations associated with staff capacity but also some difficulties on clearly articulating how innovation support from HIC could be beneficial to businesses. Some consultees noted that market penetration could have been better in terms of businesses that do not operate in the health and wellbeing sector, but have the potential to diversify their operations. Q1 2023 monitoring data confirm that beneficiaries predominantly operated in the health and social care sector (38% of all beneficiaries).

7.9 **As the project evolved to meet beneficiary needs, the delivery model became more robust:** The additional strands of support introduced broadened the range of more intensive interventions available to beneficiaries. Delivery staff highlighted the high demand seen for student placements. Moreover, to respond to businesses' reduced capacity to engage with support, the client journey was adapted so that beneficiaries could directly access all the

services provided by the HIC project, without having to attend a workshop first. The business support provided through HICommunity created an additional avenue of support, at the same time as encouraging co-location in the HI One building through a fully funded hot-desk space. On the whole, consultees commented that the changes made created better pathways from early to technical support and aftercare.

Outcomes and impacts

7.10 **Beneficiaries were satisfied with the support received from the HIC project:** Three quarters (75%) of survey respondents indicated that they were satisfied or extremely satisfied with the support received from the HIC project. Beneficiaries were also asked to reflect on how beneficial each type of support accessed has been. On average across support types, 69% of respondents felt the support was beneficial or very beneficial. This increases to 76% for innovation masterclasses, workshops and knowledge events, which was the most commonly accessed type of support. This finding reflects consultee remarks that they had positive feedback from beneficiaries on the workshops delivered, despite the engagement challenges experienced post pandemic.

7.11 **Beneficiaries made progress in overcoming their growth barriers and achieving their goals after participating in the HIC project:** The most common reasons for seeking support from the HIC project included introducing new to market products, collaborating with research institutions, adopting a new growth strategy/business model and improved innovation capabilities. For each of the most cited goals for seeking support, at least 70% of respondents indicated that they made at least some progress towards achieving their goal. Beneficiaries also indicated that the HIC project made an important contribution where beneficiaries made progress against overcoming growth barriers. On average across support types, 71% of respondents reported that the HIC played a big role or was entirely responsible for their progress. Commonly faced barriers the beneficiaries made progress towards included innovation skills and the quality/suitability of their business plan. A relatively smaller share (45%) reported progress in overcoming barriers related to accessing scientific facilities and new technologies, another commonly cited barrier.

7.12 **There is early evidence of an SME business community forming at HI One building, despite slower than anticipated take-up of hot-desk space:** Consultees noted that the University is committed to the development of a vibrant business community at HI One beyond the lifetime of the project. They noted plans to employ a community manager to create a programme of events to achieve this objective. As such, they remarked on the long-term potential of the HIC to catalyse a health innovation cluster in Lancashire. Moreover, some consultees noted that the building was used as a Covid-19 vaccination centre, which led them to remark to the wider community benefits it has the potential to facilitate.

7.13 **The quantitative assessment of impact is inconclusive:** Survey respondents were asked to consider changes in business performance following participation in the HIC project. 38% and 35% of survey respondents indicated that they have or expect to experience a change in business turnover and employment, respectively. An indicative impact assessment suggests that based on the number of beneficiaries supported by project closure, the HIC will have created 27 net additional jobs and £765,600 in net additional GVA, including persistence effects over the next three years. However, there is a very high degree of uncertainty associated with these findings. Firstly, there is a high margin of error associated with these estimates due to the small sample of survey responses secured. Secondly, limitations associated with the timing of the analysis are likely to have led to underestimation of impacts.

Value for money

7.14 **Full project impacts are not yet clear:** The evaluation attempted to examine the project impact through a quantitative assessment based on self-reported survey evidence, which has been inconclusive due to the small sample of responses secured and the timing of the analysis. ERDF Summative Assessment guidance requires that where it is not possible to undertake a robust impact assessment, value for money is assessed based on the cost efficiency of the project. It is important to consider the wider evidence available alongside this in assessing value for money.

7.15 **The project was delivered at a justifiable cost:** Given that the project completion is close, the cost efficiency analysis has been carried on the basis of estimated cost and outputs at project end. The cost efficiency review of the HIC project suggests that overall businesses will be supported at a lower cost relative to most of the comparator projects. The HIC project appears to be especially cost efficient in terms of some outputs, such as introducing new to market products.

7.16 **Long-term tracking of project outcomes is required to accurately reflect the value for money of the HIC project:** Based on the findings of the cost efficiency review, the support provided by the HIC represents good value for money. On the other hand, the indicative impact assessment points towards a GVA uplift per pound invested that is below one. However, as discussed above, there is a high degree of uncertainty associated with the impact estimates. Notably, limitations associated with the timing of the analysis suggest there are valid reasons to believe that the assessment underestimates the long-term impact of the support provided through HIC. Qualitative evidence collected through the survey support this argument. They indicate that beneficiaries progressed towards achieving goals such as introducing new to market products, collaborating with research entities and improving their innovation capabilities. The impacts associated with such outcomes tend to materialise over longer time horizons.

Recommendations

7.17 **Recommendation 1 – Sense checking output and expenditure targets at the project planning stage to ensure they are realistic and that there are sufficient levers of support through which they can be achieved:** Although the HIC project was well designed overall, consultees highlighted the legacy of overambitious target setting by observing that although the targets set out in the PCR were more realistic, they remained stretching. They also noted that the channels through which a C26 business assist could be achieved were initially limited, given the high output target set due to a misunderstanding of ERDF guidance requirements with respect to the type of support qualifying for a C26 claim.

7.18 **Recommendation 2 – Securing buy-in from all internal, but also external, stakeholders at the project design stage:** Consultees noted some temporary upheaval in management and governance process as a result of leadership challenges, but they were overall positive in this respect. A long-standing issue identified was the integration of the Faculty of Health and Medicine, which the HIC project sought to remedy at the latter phase of delivery through proactive efforts to build relationship with staff in this department. It was noted that future projects of inter-disciplinary nature should encourage close collaboration between departments at the project design stage to ensure the support delivered reflect their respective strengths and secure buy-in. Consultees also noted on the lack of formal external governance arrangements, which can encourage accountability and facilitate faster alignment with changing industry needs.

7.19 **Recommendation 3 – Remaining responsive to business support needs:** The prevailing economic landscape post-pandemic has had severe implication on businesses' support needs, but also their capacity to engage with business support. The HIC project responded by adapting its client journey and providing additional strands of support. Consultees remarked that a more robust client journey has been developed as a result. Lessons learned that are of particular relevance to future delivery:

- There is lower demand for workshops, with beneficiaries prioritising support that has more immediate tangible results. Workshop delivery also needs to be more flexible to accommodate the capacity constraints businesses face in a demanding business environment.
- There is high demand for student placements, reflecting businesses' increasing challenges around staff recruitment and retention.
- In terms of capital development projects, the shift in working patterns means that it is more important to carefully consider at the project design stage, the amount and type of workspace that should be developed.

7.20 **Recommendation 4 – Proactive monitoring and promotion of outcomes related to Horizontal Principles:** The project has sought to respond to the ERDF horizontal principles of equality, diversity, environment and sustainability. For instance, it has been noted that the project has almost a 50/50 gender split. However, consultees noted that more proactive monitoring and promotion of this outcomes is needed, with some suggesting that case studies could be especially useful in publicising the project's contribution in this respect.

7.21 **Recommendation 5 – Long term tracking of beneficiary outcomes:** While the evaluation has sought to understand the impact of the HIC project, it proved challenging to provide a reliable quantitative assessment. This was due to survey data collection challenges, but also because of limitations with the timing of the analysis, which are likely to lead to underestimation of impacts. The latter challenge is especially true for projects providing innovation support, the outcomes and impacts of which materialise over longer time spans. As such, future projects should consider how long-term tracking of beneficiary outcomes and impacts could be facilitated as part of their monitoring and evaluation framework to ensure that an accurate reflection of their economic contribution can demonstrated.

Appendix A - Consultees

A.1 Consultations were carried out between January and March 2023 with delivery and management staff and those involved at a strategic level with Health Innovation Campus, and a small selection of project beneficiaries. Microsoft Teams video calls were used.

A.2 The consultations were carried out in the format of semi-structured interviews, with aide memoires used to help guide the questioning. The following project stakeholders were consulted as part of the evaluation:

Table A.1 Consultees

Name	Company/Organisation	Job Title/Role on Project
Andy Davy	Lancaster University	Technical Manager, HIC ERDF Revenue Team
Dion Williams	Lancaster University	Director of Research, Enterprise and Innovation
Laura Kornas	Lancaster University	Head of Partnerships and Engagement for Health and Social Care
Jacqui Jackson	Cultivate Training & Development	Health Innovation Programme Facilitator
Paula Lowrey-Owen	Lancaster University	Knowledge Exchange Administration Manager, Project Support Unit
Ben Wainwright	Lancaster University	Programme Manager, HIC ERDF Revenue
Charlotte Ollerton	Inventya	Senior Innovation and Growth Specialist

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