LEEDS CITY REGION PRODUCT AND PROCESS INNOVATION (PAPI) PROGRAMME

Summative Evaluation – Final Report

June 2023

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EXECUTIVE SUMMARY

RSM UK Consulting LLP (RSM) have been commissioned by the University of York (UoY) to conduct the formative and summative evaluations of the Leeds City Region (LCR) Product and Process Innovation (PAPI) programme. This report builds upon and validates the analysis undertaken within the Formative Evaluation (where relevant), submitted in April 2021, and presents the findings of the summative assessment, which was undertaken between January 2023 and June 2023.

Programme Overview

PAPI is a £6.7 million capital grant scheme (of which, £3.3 million is sourced from the European Regional Development Fund [ERDF]) which supports, and de-risks LCR-based Small and Medium-sized Enterprise (SME) investment into small-scale product and process innovation by providing:

- 40% match funding towards the purchase of equipment or outsourced developers up to the value of £20,000;
- closer to market support so that more innovations reach the market/are operationalised;
- technological advice and business planning assistance provided through Innovation Advisors (IAs); and,
- Innovation Workshops to help SMEs overcome potential barriers to innovation.

The UoY initially secured a contract with the Department for Levelling Up, Housing and Communities (DLUHC)[1], to deliver PAPI in the York, North Yorkshire and East Riding (YNYER) region in 2016. High SME demand for the programme prompted the UoY to apply to DLUHC for a new contract to deliver PAPI in the LCR in 2018. PAPI delivery in the LCR commenced in July 2018 and was due to complete in June 2021.[2] However, in April 2020, the UoY secured a two-year extension which moved the programme's practical completion date to September 2023 and increased the total budget (from £3,543,930 to £6,773,544). The scheme aimed to provide SMEs with a gateway into the University's wider Research and Development (R&D) offer and enhance the University's relationships with the local SME base. The programme aims to support:

- the promotion of the benefits of innovation in improving business competitiveness and growth;
- an increase in the number of long-term sustainable Research, Development, and Innovation (RD&I) relationships; and
- additional funding / R&D investment into the region.

Key Evaluation Objectives and Approach

In line with ERDF requirements, this summative evaluation explores:

- **relevance and consistency**: exploring the continued relevance and consistency of the programme, in light of any changes in policy or economic circumstances during its delivery period;

[1] Formerly Ministry of Housing, Communities and Local Government (MHCLG)
[2] Delivery of the PAPI LCR project was designed to have a 'soft start' i.e., six months set up time with a launch and first appraisal panel of SME grant applications in January 2019.

- **progress**: assessing the progress of the programme to date against its contractual targets, any reasons for under or over performance, and the expected lifetime results;
- **delivery and management**: exploring the experience of implementing and managing the programme to date and any lessons which have emerged from this; and
- **impacts**: where possible, identifying the economic impact attributable to the programme to date, including both the intended and actual outcomes and impact.

Key evaluation activities undertaken for the summative assessment are summarised in Table 1. Primary research was undertaken between January and June 2023.

Table 1: Evaluation Approach

Stage	Task
Inception	• project inception meeting
Desk based research	• policy and socio-economic summary analysis; • review of programme documentation; and • review of programme monitoring data.
Primary research	• consultation with 13 strategic stakeholders; • interviews with 11 grant beneficiaries; • an interview with one non-beneficiary; and • an online survey of beneficiaries (33 respondents).
Analysis and reporting	• qualitative consultation analysis; • development of qualitative impact case studies; and • Value for Money (VfM) assessment: net economic, employment and Gross Value Added (GVA) impact informed by survey data (providing evidence for the necessary economic adjustments around additionality, displacement, substitution, and leakage) has been undertaken. Note: for LCR, this includes a specific analysis of productivity improvements and jobs safeguarded.

Key Findings

Relevance and Consistency

The rationale for the scheme remains strong, based on the prevailing economic and policy context of the region. Gaps in funding opportunities (in particular in relation to lower funding levels), limited understanding of innovation and limited connections with Higher Education Institutions (HEIs) were noted as key rationale for the programme. Whilst there is evidence that this programme has been effective in addressing those market failures for the businesses that participated, it is likely that the market failures continue to exist across the region, suggesting that there is an ongoing need for a programme such as PAPI in the market.

This evaluation has found that the PAPI programme is well-aligned with relevant national and regional policy, including the (legacy) UK Industrial Strategy and the UK R&D Roadmap 2020. The scheme

also aligns well with a raft of local and regional strategies. This reflects the programme's complementarity with the wider policy landscape beyond the focus of innovation, and highlights that the programme has remained relevant through its lifetime despite significant external challenges shifting the policy landscape (e.g., the impact of Covid and strategies relating to the recovery of local and regional economies).

PAPI is also well positioned through **providing a unique offer in the LCR area** due to providing grant assistance specifically targeted at innovation and innovation / business planning support, which indicates that future similar support programmes targeting innovation would complement policy / existing provision.

The overall **programme design was deemed to be appropriate** by stakeholders and **fit for purpose**, with several stakeholders commenting that the design and approach of the programme meant that it was able to cater to the needs of business beneficiaries, with no gaps identified in the support offer.

The size of the grant support available and the advisory services were highlighted as some of the key strengths of the support offer. The innovation advice support has reduced SME barriers to engagement as high quality application assistance has served to raise beneficiary capacity and ensure the additionality of investment.

These findings highlight the success of the programme's design, and the high regard in which it is viewed by stakeholders and beneficiaries. This is further evidenced in the successful adoption of the programme to the LCR area from the initial YNYER programme with minimal change required in its design / approach. As such, the model developed for PAPI should be considered for the delivery of future similar provision.

Performance and Delivery

Programme uptake has been healthy, with referrals into the programme coming from a variety of sources. The programme is **currently on course to achieve / exceed four of its eight output targets**, with a further three indicators projected to achieve at least 90% of the target. Strong areas of performance include enterprises receiving non-financial support (104% of the profiled target), employment increase in supported enterprises (113% of the profiled target), and enterprises supported to introduce new to the market products (138% of the profiled target). The programme is currently behind profile on private investment matching public support to enterprises (84%) and enterprises supported to introduce new to the firm products (84%), however, it is expected that this target will be exceeded.

The programme can be deemed to be successful, however, it was identified that some of PAPI's key successes were hidden within the output indicators. Specifically, in relation to new to the market products and new to the firm products, as the output indicators only record one product per business, the success of beneficiaries in creating products is underrepresented:

- new to market products: reported as 40 outputs, however, the total number of new to market products launched is **44** and this is expected to increase further to **66**; and
- new to firm products: reported as 84 outputs, however, the total number of new to firm products launched is **101** and this is expected to increase to **136**.

This would suggest that there was scope to further improve the monitoring framework associated with projects funded through this Priority Axis and should be considered as an area of learning for the design of similar funds in the future. Furthermore, there is a lag associated with some outputs (e.g., the creation of

employment opportunities), which suggests that the forecasted outputs for PAPI may be conservative estimates of the programme's performance.

Expenditure defrayal sits at **91% of the programme's budget** (to March 2023), following a reprofiling of the programme expenditure. Given the successful performance of the programme, this implies that the PAPI team achieved a higher level of efficiency than initially anticipated (refer to section 6.2.5 for further details).

PAPI's product offer has been effectively delivered using both in-person and remote models. This underlines the importance of an effective programme delivery team that can drive engagement through clear and meaningful communication with stakeholders, beneficiaries and delivery partners. In this regard, PAPI staff were highlighted and complemented by programme stakeholders and beneficiaries. The clarity of communication was well regarded by beneficiaries, highlighted in the survey results, as 100% of respondents were happy with the level of information provided.

Outcomes and Impacts

Based on the evidence gathered through the evaluation, it can be concluded that the programme has been broadly successful in achieving the range of outcomes and impacts within the PAPI logic model. This validates the model for this programme and provides key learning for the design and development of future programmes.

In total, 194.16 gross jobs have been created to date. Based on the current expenditure on grant funding, this results in an average ERDF cost per gross job created of £15,973 and an average SME grant cost of £10,075 per gross job created.

The 194,16 gross jobs result in an estimated 110.67 net Full Time Equivalent (FTE) jobs, which will generate an additional £5,594,429 of GVA per annum. This equates to £1.80 of GVA per annum for every £1 of ERDF funding invested. The GVA and employment impacts demonstrate that the programme has achieved Value for Money, delivering jobs for a lower unit cost than the programme targets. It was identified above that the programme expenditure is 9% lower than anticipated at this stage, and with an identified lag in outcomes / impacts, we can expect the VfM to improve in the coming months.

Key outcomes realised from the programme logic model include:

- **increased company growth, employment and sales**, wherein 91% of businesses (n=30) from the survey reported they had increased employment due to the programme, with **an average of 1.8 gross FTE jobs created by grant beneficiaries to date**, and 82% of respondents (n=27) have reported increased turnover as a result of the programme, the largest proportion of which have increased turnover by 5-10%;

- **improved understanding of the process of innovation**, as evidenced by the 40 enterprises that have been supported to introduce new to the market products and the 84 enterprises that have been supported to introduce new to the firm products;

- **increased level of innovation investment by companies**, whereby a total of £2.7 million of private investment has been secured through the programme;

- stakeholder consultation has identified examples of **increased and ongoing interaction between SMEs and R&D providers**, and improved engagement between UoY and regional SMEs.

- **promoting an innovative mindset**, whereby 55% of survey respondents (n=18) stated that there has been an increased focus on innovation in their company to a large extent, with a further 45% (n=15) stating that there has been an increased focus on innovation to some extent;

- **increase in SME competitiveness** as 93% of respondents (n=31) had improved their position against competitors to at least some extent, with 48% (n=16) stating that this had improved to a large extent. Beneficiaries of the grants commented on their suitability to address needs such as upgrading machinery, technology and processes to enable them to attract new and larger customer bases; and

- additional outcomes include improved senior leadership capabilities and enhanced product design, as well as increased production and extended business networks.

There was limited evidence of unexpected outcomes and impacts, however, this may be as a result of: (1) the lag associated between projects being completed and the benefits becoming tangible / observable and / or (2) the impact of Covid and subsequent need to prioritise activities.

Contribution to Horizontal Principles

Overall, PAPI was deemed by stakeholders to be appropriately targeted and is investing in projects with a strong innovation focus. The programme has embedded the European Structural Investment Funds (ESIF) horizontal principles into delivery by ensuring that all applicants, regardless of gender, have equal access to grants and / or workshop support.

At the formative evaluation stage, it was highlighted that greater focus should be given to monitoring data in relation to female-owned or led businesses and recommended to target this group to bring about uplift in numbers. In March 2020, PAPI delivered an innovation event to coincide with International Women's Day that specifically targeted female-owned or led businesses with c. 90 attendees. In 2019, 5.7% of the Expressions of Interest (EOIs) received that year were from female-led businesses, however, this increased to 11.9% of EOIs in 2022.

Recommendations

Overall, stakeholders and beneficiaries expressed high satisfaction with PAPI and did not identify any significant areas for improvement. The recommendations identified below were developed at the formative stage, however, these remain relevant as points of learning for informing the development of future similar provision.

- future similar provision should maintain a focus on innovation-led support, including through the provision of adequate funding for the sector, as this will be a strategic driver and enabler in supporting innovation / R&D activity and could build on the success of the PAPI programme;

- female-owned and led SMEs should continue to be targeted with specific programme monitoring to capture progress (as implemented by the PAPI programme). This will promote equality and inclusivity;

- following the PAPI's success in recruiting businesses that were actively seeking to innovate and invest in projects, it suggests that similar direct marketing strategies should be utilised by future similar programmes to ensure that businesses are engaged who are actively looking for innovation support, as well as SMEs who need more encouragement to undertake investment in innovation / R&D;

- the delivery model that PAPI employed (i.e., with a focus on strong account management and a people-focussed approach) should be considered as a robust approach to delivery of similar schemes;
- a continued hybrid approach in the delivery of workshops and meetings was identified as a method of delivery that appealed to a larger number of businesses and stakeholders, while also offering face-to-face sessions where appropriate. This warrants further consideration in the design of similar future provision;
- suggested areas of improvement for the workshop component of the PAPI programme included reducing the volume of content, creating an easily accessible resource repository, and increasing networking opportunities. These factors should be considered as part of the design of similar future programmes;
- grant application forms should be simplified / streamlined where possible to reduce administrative burden on SMEs and to reduce barriers to entry of projects. However, it is noted that this is an area that UoY were proactive in, reviewing grant application forms following the interim evaluation with input from the appraisal panel members; and
- a requirement was added by DLUHC mid-way through the programme in relation to the monitoring of safeguarding jobs and productivity, despite these not forming part of the programme's aims or contractual targets. It is recommended that programme management bodies such as DLUHC establish all monitoring and evaluation requirements at the outset of the programme to ensure that processes are implemented for the effective capture of data. Programme delivery partners should seek to design monitoring frameworks that can be more flexible to adapt to changes where required.

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Important Note:

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any. This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Consulting LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Consulting LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report. This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent. We have no responsibility to update this report for events and circumstances occurring after the date of this report. RSM UK Consulting LLP is a limited liability partnership registered in England and Wales no.OC397475 at 6th floor, 25 Farringdon Street, London EC4A 4AB

1. INTRODUCTION

RSM UK Consulting LLP (RSM) have been commissioned by the University of York (UoY) to conduct the formative and summative evaluations of the Leeds City Region (LCR) Product and Process Innovation (PAPI) programme. This report builds upon and validates the analysis undertaken within the Formative Evaluation (where relevant), submitted in April 2021, and presents the findings of the summative assessment, which was undertaken between January 2023 and June 2023.

1.1 Programme Overview

PAPI is a £6.7 million capital grant scheme (of which, £3.3 million is sourced from the European Regional Development Fund [ERDF]) which supports, and de-risks LCR-based Small and Medium-sized Enterprise (SME) investment into small-scale product and process innovation by providing:

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1.2 Programme Scope and Logic Model

1.2.1 Programme Scope

PAPI was developed in 2016 by the UoY to address **two key market failures: access to capital and lower levels of innovation for regional SMEs,** which have resulted in part from the **market failing to supply innovation and research services**. The programme was, therefore, designed to be a vehicle to increase both engagement with SMEs within the regional economy and the proportion of businesses investing in innovation activity. In addition, PAPI provides SMEs with a gateway into the UoY's wider Research and Development (R&D) offer and is a mechanism through which the UoY can build new and enhance existing relationships with the local SME base. The programme aims to support:

- the promotion of the benefits of innovation in improving business competitiveness and growth;
- an increase in the number of long-term sustainable Research, Development, and Innovation (RD&I) relationships (between SMEs and other R&D bodies such as UoY); and

[3] Formerly Ministry of Housing, Communities and Local Government (MHCLG)
[4] Delivery of the PAPI LCR project was designed to have a 'soft start' i.e., six months set up time with a launch and first appraisal panel of SME grant applications in January 2019.

- additional funding / R&D investment into the region.

Programme eligibility criteria has been informed by the key growth sectors identified in the LCR Strategic Economic Plan (SEP) and areas with which UoY has significant expertise.[5] To apply for, SMEs must:

- be based in the LCR;
- meet the ERDF SME definition (turnover of less than £50m and less than 250 employees);
- not be pre-start up (i.e., must be trading); and
- be engaged in one of the following sectors: (advanced) manufacturing; health and life sciences; low carbon and environmental industries; digital and creative media; and food and drink (including agri-tech and the bioeconomy).

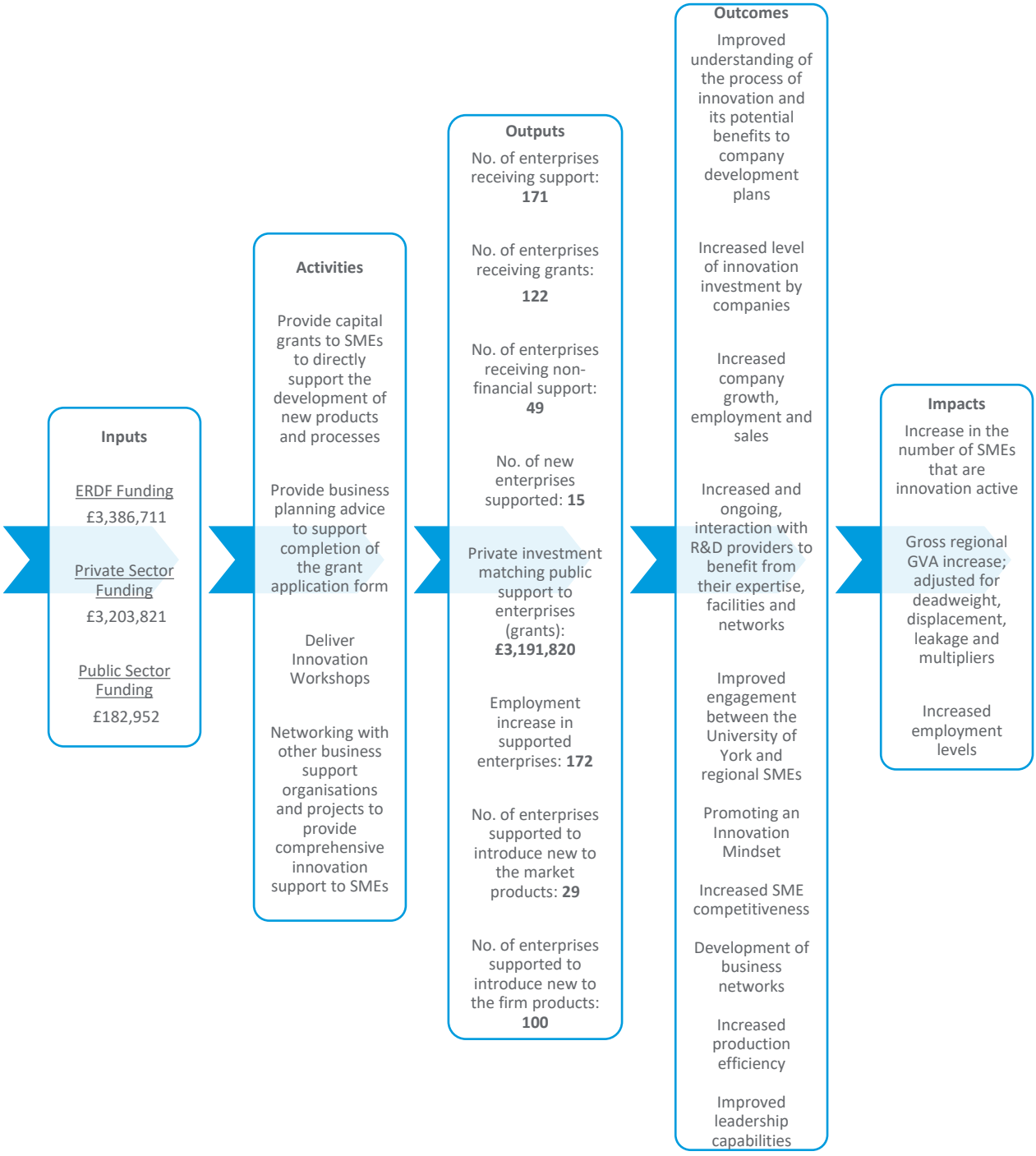
1.2.2 Programme Logic Model

The logic model shown at Figure 1.1 (overleaf) and the associated assumptions (detailed below) have been tested as part of the evaluation process:

- **the support offer is fit for purpose**: it has been assumed that the provision of diagnostic, grant and workshop (advisory) support on the specified scope and scale will deliver the anticipated outcomes and impacts;
- **SMEs will respond to the opportunity**: it is assumed that the services and support being offered are fit for purpose and there is demand from end users;
- **SMEs are able to engage in the programme**: it is assumed that businesses are made aware of the offer and partner / referral organisations support by signposting;
- **inputs are sufficient to deliver planned activities**: it is assumed that cost estimates were accurate and delivery timelines achievable;
- **activities are additional**: it is assumed that there is demand which is not, or cannot, be met elsewhere; and
- **staff have the necessary skills to successfully deliver the programme**: it is assumed that management, administration and delivery staff have the necessary skills, knowledge and expertise to provide a high-quality service to businesses and successfully manage the programme.

[5] Whilst key sectors in the LCR, the financial and professional services industries have been excluded due to the ERDF eligibility criteria and the resulting limitations placed on working with this sector.

Figure 1.1: PAPI LCR Logic Model



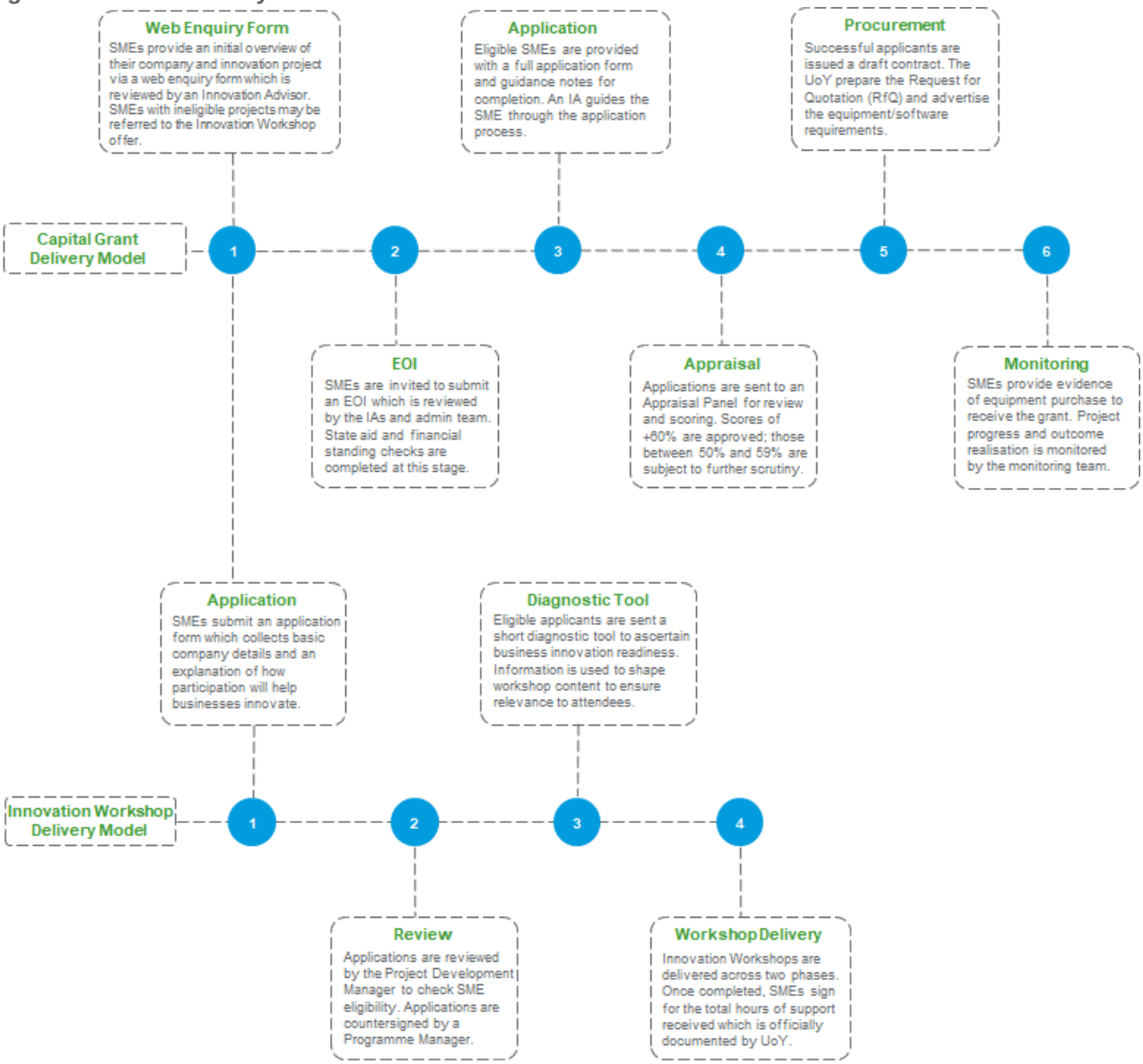
Source: UoY

Note: *the metrics identified are targets. In relation to the measure of employment increases, it should be noted that, for PAPI LCR, there must be an increase from a baseline level employment which is captured at the beginning of the intervention in order to be counted towards this output target.*

1.3 Programme Delivery Model

PAPI is managed by the UoY as the Accountable Body (AB) and delivered by the University's Economic Development Team (EDT). Figure 1.2 summarises the programme delivery model for both aspects of the PAPI offer.

Figure 1.2: PAPI Delivery Model



The grant delivery model was based on the concept of an innovation pathway whereby SMEs were supported along through the journey from initial diagnostic assessment through to commercial and technical feasibility. The grant model / process was designed to expediate the time taken between initial referral and grant award by reducing the administrative burden on SMEs and holding monthly appraisal panels.

The Innovation Workshop delivery model was designed to ensure content was responsive to emerging business needs. Successful applicants were sent a short diagnostic tool to ascertain innovation readiness. SME information was reviewed by the Project Development Manager and used to shape the content of the workshop programme to ensure relevance to attendees. The programme was delivered across two days. SMEs sign for the total support accessed (including any pre- and post-support received by the facilitator), which was officially documented by the EDT and returned to businesses for recording the total value of state aid received.

The overall delivery model did not require significant alterations to adhere to Covid-19 restrictions. Activities which would have previously taken place in person – such as IA application assistance and the Innovation Workshops – were delivered via Zoom. A detailed overview of the PAPI delivery model is provided in Appendix 1.

1.4 Summative Evaluation Objectives

The focus of the summative assessment includes:

- the design of the programme;
- how the programme has performed against its targets;
- the nature of the programme's outcomes and impacts and the value for money that has been achieved; and
- subsequently the lessons which have emerged through the experience of delivering the programme.

The associated research questions, which have been explored within this evaluation, are outlined in Table 1.1.

Table 1.1: Research Questions

Requirements	Lines of Enquiry
Relevance and consistency **(Section 2 of the Report)**	• What was the programme seeking to do? What were the specific market failures that the programme was seeking to address and do these remain relevant in 2023? Was there a strong rationale for the programme? Does there continue to be need / demand for the services offered which are not being met elsewhere? • What was the economic and policy context at the time that the programme was designed, and what is it now? • Was it appropriately designed to achieve its objectives? Were management arrangements / the delivery model appropriate and does it remain fit for purpose? Would any amendments to the programme offer or design be required to achieve better value for money / increased efficiency, and address identified weaknesses, changing customer needs / demand, and strategic policy objectives? • Was the programme logic model valid and did it deliver the desired scope, scale and quality of outputs, outcomes, and impacts? Have the updates to the logic model proved accurate? Were there any unintended impacts, and were the targets set for the programme realistic and achievable?

Requirements	Lines of Enquiry
	• How did the context change as the programme was delivered and did this exert any pressures on programme delivery? Were the measures put in place to mitigate / accommodate changes appropriate and successful? • Bearing in mind any changes in context or weaknesses in the programme design / logic model, could the programme reasonably be expected to have performed well against its targets? This should particularly include consideration of Covid-19 impacts. • Was the programme appropriately positioned against other support to add value and avoid duplication?
Progress against contractual targets **(Section 3 of the Report)**	• Has the programme delivered what it expected to in terms of spend, outputs and timescale? • What are the factors which explain this performance? What measures have been put in place to support benefits realisation and have these been effective? • When the programme ends, is it expected to have achieved what it set out to? Will it have achieved anything additional / unintended? • How will benefits be sustained? • Has the programme delivered against its strategic objectives and delivered high quality outputs?
Delivery and management effectiveness **(Section 4 of the Report)**	• Was the programme well managed? Were the right governance and management structures in place and did they operate in the way they were expected to? What factors have supported / hindered effective management and governance? Have the changes made to the management structure in 2020 (and since) been effective? • Has the programme delivered its intended activities to a high standard? How effective was the delivery model including marketing, targeting and engagement processes; diagnostic, brokerage, and referral; the grant application and appraisal process; caseload management and the intensity / flexibility of support; Higher Education Institutions (HEI) engagement? • Could the delivery of the programme have been improved in any way? • Did the programme engage with and select the intended beneficiaries? Were the right procedures and criteria in place to ensure the programme focused on the right beneficiaries? • To what extent has the programme been integrated into the wider business support offer and effectively positioned against other projects / programmes? • How successful / appropriate has the service offer been in addressing business needs? Have activities been delivered to a high standard? Has the inclusion of workshops been successful? • How has the programme linked into other provision to provide an enhanced/seamless offer to businesses? • To what extent have the horizontal principles (e.g., sustainable development and equal opportunities & non-discrimination) been integrated into and shaped

Requirements	Lines of Enquiry
	delivery? Has the programme successfully secured participation from under-represented groups? • What can we learn from the programme in terms of supporting business innovation, knowledge exchange / HEI & Industry interaction, and sector-specific support? What are the key lessons for the UoY, policymakers and other people designing similar initiatives?
Attributable economic impact **(Section 3 of the Report)**	• What progress has the programme made towards achieving the outcome and impacts set out in its logic model? What are the main sources of Strategic Added Value that the programme has created? • To what extent are the impacts and outcomes attributable to programme activities? • What are the gross and net additional economic, social and environmental benefits of the programme? Can these benefits be quantified and attributed to the programme in a statistically robust way? • To what extent will the programme contribute to the achievement of ERDF programme result indicators[6]?
Cost-effectiveness and value for money **(Section 3 of the Report)**	• Analysis of programme effectiveness measures e.g., business assists delivered as % of total businesses engaged; outputs delivered per business assist • Analysis of unit costs e.g., public sector cost per job created / Gross Value Added (GVA) per £1 of public sector funding invested, benchmarked against comparable programmes and standard benchmarks
SME Engagement **(Section 5 of the Report)**	• The extent to which engagement has led to sustainable collaborative relationships, for example: – Extent to which SME views / understanding of the knowledge base have changed – The extent to which further Knowledge Transfer activity will be progressed e.g., Knowledge Transfer Partnership (KTP) take-up, further funding accessed – Opportunities for placements or secondments – Opportunity for academic departments to develop and build upon business engagement skills – The final key element being the identification of good practice and recommendations that may enhance the University's local economic development offering.

1.5 Approach

Key evaluation activities undertaken for the summative assessment are summarised in Table 1.2. Primary research was undertaken between January and June 2023.

[6] ESIF-GN-1-002_ERDF_Output_Indicators_Guidance_v9.pdf (publishing.service.gov.uk)

Table 1.2: Evaluation Approach

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Desk based research	• policy and socio-economic summary analysis; • review of programme documentation; and • review of programme monitoring data.
Primary research	• consultation with 13 strategic stakeholders; • interviews with 11 grant beneficiaries; • an interview with one non-beneficiary; and • an online survey of beneficiaries (33 respondents).
Analysis and reporting	• qualitative consultation analysis; • development of qualitative impact case studies; and • Value for Money (VfM) assessment: net economic, employment and Gross Value Added (GVA) impact informed by survey data (providing evidence for the necessary economic adjustments around additionality, displacement, substitution, and leakage) has been undertaken. Note: for LCR, this includes a specific analysis of productivity improvements and jobs safeguarded.

1.6 Report Structure

The report structure is outlined in Table 1.3.

Table 1.3: Report Structure

Chapter	Content
Chapter Two	Assessment of rationale, relevance and strategic fit given the policy and economic context
Chapter Three	Assessment of the programme's progress and performance against contract targets
Chapter Four	Analysis of the management and delivery model
Chapter Five	Analysis of programme outcomes and impacts
Chapter Six	Conclusions and recommendations

2. PROGRAMME RATIONALE AND RELEVANCE

2.1 Introduction

Drawing on stakeholder consultations and desk-based research, Chapter Two assesses the relevance of PAPI activities and places the programme within the current policy and economic context. As the programme comes to an end in June 2023, the chapter also highlights potential future policy drivers and enablers and how future similar provision would align.

Key Findings

- the rationale for delivering PAPI in the LCR remains robust as the market failures (access to capital and low levels of innovation) remain prevalent[7]. [8] The programme is deemed appropriate in addressing known market failures and local barriers to innovation-led growth. As regional economies continue to recover from the pandemic, the focus on innovation-led growth will be integral for long-term sustainable growth. Stakeholders cautioned against losing the focus on innovation support, as opposed to general business support. Stakeholders also identified the continued need for the innovation-focused capital grant scheme to productivity growth;

- the design and relevance of the programme is considered to be suitable in supporting companies to invest in innovation activities and gain the knowhow to access capital funding. Numerous stakeholders identified that the value of the size of grant offered by PAPI as a key benefit, and beneficiaries reported the de-risking of their investment as a benefit of the programme; and

- the programme aligns with a range of national and local strategies that focus on improving productivity of SMEs, driving innovation and the key factors contributing towards economic growth potential (innovation and skills).

2.2 Programme Rationale

As noted in the introduction chapter, PAPI was developed in 2016 to address two key market failures:

- access to capital; and

- lower levels of innovation for regional SMEs.

These market failures had resulted in part from the market failing to supply innovation and research services. The programme was, therefore, designed to be a vehicle to increase both engagement with SMEs within the regional economy and the proportion of businesses investing in innovation activity.

There has been a continued decline in the number of innovation active SMEs in the LCR,[9] which as documented in the Department for Business and Trade (DBT) (then called the Department for Business, Energy and Industrial Strategy) UK Innovation Survey (2021), has caused Yorkshire and the Humber to lag behind other regions (such as the West Midlands, East of England and the South West) in terms of

[7] LCR LEP's biennial Business Survey, 2020
[8] LCR LEP, *Leeds City Region Business Survey* (2020) PowerPoint Presentation (westyorks-ca.gov.uk)
[9] the latest LCR LEP's biennial Business Survey continues to show a decline in the number of SMEs introducing new goods (22% in 2020 as compared to 26% in 2017, however slight increase from 18% in 2019), new or improved processes (down 5 percentage points from 33% in 2017) or new technologies (37% in 2017, 35% in 2020).

businesses which are innovation active There are a number of barriers to innovation for regional SMEs that provide a rationale for the PAPI:

- **capital constraints:** according to the 2021 UK Innovation Survey, SMEs based in Yorkshire and the Humber ranked financial constraints (such as cost of finance, availability of finance, direct innovation costs and excessive perceived economic risk) most highly as barriers to innovation.[10] This was echoed in stakeholder consultations that suggested there is a lack of funding generally available for companies (at small and mid-range) for innovation related investment. This was noted to be due to the nature of the market for innovation funding (funding opportunities tend to be quite limited and often targeted i.e., funds tend focussed on one sector to have rigid eligibility criteria that restricts their accessibility). It was further noted that there was concern amongst consultees that a vacuum of funding may now be developing following Brexit amidst uncertainty surrounding the scope and scale of the UK Shared Prosperity Fund;

- **limited understanding of innovation:** stakeholders consulted at the formative and summative stages noted the widely held narrow conception of innovation as step change product development as a notable barrier to SME innovation (i.e., beneficiaries often don't have a nuanced view of innovation and its many benefits). This also includes the knowledge of where to get support for innovation activity, whether that's in relation to advisory support or funding. Furthermore, a study previously conducted by RSM on behalf of West Yorkshire Combined Authority (WYCA) identified that raising management awareness of innovation, and its role in business planning and growth, was key to increasing the region's innovation capacity;[11] and

- **few connections with Higher Education Institutions (HEIs):** the LEP's 2020 Business Survey reveals that SME innovation activity typically occurs in collaboration with other companies/business networks (74%) rather than in conjunction with a HEI (19%).[12] Key stakeholders consulted by RSM noted that many businesses are not aware of the commercial function of universities or how to access specialist expertise which could help elevate innovation projects and lead to increased benefit realisation.

Evidence gathered through stakeholder consultation suggests that there continues to be a need for an innovation-focused capital grant in the region to support productivity growth. Stakeholders cautioned against losing focus on innovation for similar future interventions (i.e., not moving towards a generic funding programme).

2.3 Programme Relevance

2.3.1 Programme Design

The online survey of business beneficiaries found that 85% of respondents (n=28) were satisfied or very satisfied with the overall support provided by PAPI (i.e., the Innovation Adviser support as well as the grant value). Broader programme stakeholders agreed that the programme is suitably designed to meet business needs, with no gaps identified in the support offer. The size of the grant support available and the advisory services were highlighted as some of the key strengths of the support offer. This was corroborated by the

[10] Ibid.
[11] RSM was commissioned by WYCA in 2019 to undertake research into the region's innovation capacity, capability and potential. The full report can be accessed at: https://www.the-lep.com/media/3240/innovation-study-final-report-2019-v30a.pdf
[12] LCR LEP, *Leeds City Region Business Survey* (2020) PowerPoint Presentation (westyorks-ca.gov.uk)

findings of the online survey, in which 79% of respondents (n=26) reported that they were satisfied or very satisfied with the level of funding through grants.

"Companies need small funding. There are not a lot of sources for this type of small or mid-range funding, that minimum amount to get over the first hurdle for funding." – ***Member of the Appraisal Panel***

"There is a lot of support available for innovation in the UK, but the available grant funding is on the very high end, PAPI picked up the lower-end funding needs. A lot of companies need funding in the £8,000 to £20,000 range, so the funding range was very appropriate." – ***Growth Manager***

A beneficiary noted that the level of funding provided was well targeted to meet their needs:

"We were modest in what we have been asking for, we don't need anything more than this. We're not trying to automate our production. We're very hands-on production facility. Everything is done primarily by hand, but sometimes we need a little bit of machinery to assist but won't materially change that ethos" – **Grant Beneficiary**

It was also noted that PAPI provided the necessary liquidity to allow businesses to make an investment in innovation, while sufficiently de-risking it to ensure businesses are not carrying the full financial burden of their investment.

"We usually have our cash flow tied up in stock and then this restricts your ability to use the money you have to invest in growing your company. If you've got a grant, even if it's only 40% match funded, you've suddenly got the funds to invest into the company." – **Grant Beneficiary**

PAPI's aims[13] were considered **appropriate in addressing known market failures and local barriers to innovation-led growth**. Consultation with stakeholders indicates that projections for demand for a similar programme in the future would be strong due to the success of the PAPI programme and its established role within the local business support landscape.

It was noted that having a dedicated engagement team provided significant benefit to the programme by providing a 'face' of the programme for potential beneficiaries to directly engage with and to provide a direct access route to the programme. This helped to ensure that the pipeline of beneficiaries was maintained with high quality referrals.

Consultees highlighted one area for future consideration, which relates to matched funding. This requirement was identified by business beneficiaries as a growing challenge for businesses. Furthermore, a number of stakeholders reported that they struggled to facilitate the total project costs before retrospectively claiming the grant funding.

'The effects of the Covid 19 pandemic and the current level of inflation has made money tight for companies. Add to that Brexit [and its] impact on skilled workforce. It would be problematic to run [PAPI] exactly the same way, maybe you need to change it to be 100% grant funded' – ***Member of the PMG***

[13] Driving R&D activity by de-risking investment in innovation, supporting product and process development through specific capital grant funding, increasing SME knowledge of innovation and, providing an accessible entry point for engaging with HEIs.

*'There tended to be more established companies in the programme as there was a match funding element that newer companies and very small companies might not have made the cut because the criteria were too much.' – **Member of the Appraisal Panel***

2.3.2 Positioning / Complementarity with Wider Business Support Landscape

LCR-based businesses benefit from a varied supply of business support interventions. Despite the density of the support infrastructure (an overview of which is provided in Appendix 4), stakeholders agree that the PAPI offer is sufficiently differentiated from other interventions due to the programme's clear focus on assisting the initial production of new product or process innovations through capital grants or workshop support.

Stakeholders noted that the **funding range and the grant-format of financial support** is an area of differentiation with other programmes, as it provides a small grant to address specific issues / problems which isn't available through other provision.

There has been a marked increase in **workshops** delivered by both public and private sector providers aimed at increasing business resilience in response to the Covid-19 pandemic, however, it is noted that programmes such as Adventure and the Strategic Growth Programme were providing workshop content prior to Covid. Whilst some content was found to overlap with the Innovation Workshops delivered through PAPI, stakeholders did not think this constituted a duplication in offer. PAPI workshops offered a comprehensive package of mixed-intensity innovation guidance, whilst others provided generic business support. Furthermore, this risk is reducing due to the absence of ERDF-funded programmes and the phasing out of support schemes related to the Covid-19 recovery.

"The government introduced much more innovation support, through UK Edge for example. The opportunity for PAPI to be able to provide the non-financial support was squeezed because the UK can provide that support and more. They were competing in a landscape that should not be competitive." – **Stakeholder**

Overall, the programme is considered complementary to other initiatives and an asset to the LCR business support landscape:

"*PAPI is both additive and complementary to the region's business landscape. Having a strong and varied financial and consultancy offer is essential to attracting and retaining high growth potential businesses in the City Region, so PAPI is a real asset to the area because it's attractive to SMEs and supports regional growth and innovation ambitions."* **– Stakeholder**

2.3.3 Strategic Context

Table 2.1 outlines the PAPI's strategic fit with national, regional, and local policies, plans and strategies. The analysis as presented in the table highlights that PAPI is **aligned with national, regional and local policy agendas** for enhancing the productivity and competitiveness of UK businesses.

Table 2.1: PAPI LCR Strategic Alignment

Strategy	Description	Alignment
National		
Building Back Better	Seeks to tackle the long-term problems to deliver growth that creates high-	The strategy places an emphasis on supporting SMEs to grow, up-scale and

Strategy	Description	Alignment
	quality jobs across the UK. A central pillar to this is innovation; aiming to support and incentivise the development of the creative ideas and technologies that will shape the UK's future high-growth, sustainable and secure economy.	boost productivity. PAPI aligns to this strategy whereby improved products and processes as a result of new equipment / software may help SMEs to grow and improve productivity.
UK Industrial Strategy (legacy)	Seeks to transform the economy through a series of measures targeted at raising productivity, driving innovation and raising earning potential.	The strategy outlines its ambition to drive over £20 billion of investment in innovative and high potential businesses. The programme aligns to this strategy whereby improved products and processes as a result of equipment / software may encourage further investment (i.e., beyond the grants provided through PAPI) in innovation by SMEs across the LCR region.
Future Fund	The Future Fund is a £375m scheme to drive investment in the UK's most high growth, innovative and R&D intensive firms.	The Future Fund aligns with the core aims of the programme as: the promotion of the benefits of innovation in improving business competitiveness and growth; and promoting additional funding targeted at increasing R&D spending by SMEs.
Help to Grow: Digital	The Help to Grow: Digital programme is a scheme designed to give 100,000 SMEs free and impartial advice on how technology can help their business and vouchers worth up to £5,000 to cover up to 50% of the costs of buying pre-approved software.	PAPI is a programme that offers 40% match funding towards the purchase of equipment or outsourced bespoke software solutions up to the value of £20,000; and application support provided through IAs; therefore, showing clear alignment to Help to Grow Digital.
UK R&D Roadmap 2020	This roadmap outlines how Research and Development will be critical to economic and social recovery from the impacts of Covid-19, enabling the UK to build a greener, healthier and more resilient nation. It highlights the Government's commitment to increasing UK investment in R&D to 2.4% of GDP by 2027 and to increase public funding for R&D to £22 billion per year by 2024/25.	The PAPI programme aspires to increase SME interaction with R&D providers to benefit from their expertise, facilities and networks. Increased Government investment in R&D is intended to allow for enhanced opportunities for small businesses in LCR to collaborate and derive benefits. PAPI has also leveraged private sector investment in R&D (through the matched funding of projects).

Strategy	Description	Alignment
UKRI Strategy 2022–27	Sets out a vision for the UK to be a global hub for innovation by 2035.	PAPI is intended to improve engagement between the UoY and regional SMEs, promote innovation within SMEs in the LCR region and support investment in R&D through grant funding a proportion of capital innovation investments.
Budget 2021	Set's out a £65 billion three-point plan to provide support for jobs and businesses as the UK emerges from the pandemic and forges a path to recovery.	Contained a new two-year 'super-deduction' from UK company tax bills by 25p for every pound invested in new equipment. PAPI beneficiaries investing in new machinery can benefit from this (note: this relates specifically to the matched funding element of project costs only).
The Levelling Up White Paper	Levelling up is a moral, social and economic programme for the whole of government. The Levelling Up White Paper sets out how The Government will spread opportunity more equally across the UK.	The White Paper outlines an intention that by 2030, domestic public investment in R&D (i.e., HERD[14] and GERD[15]) outside the Greater Southeast will increase by at least 40%. This government funding seeks to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth. The PAPI programme incentivises SMEs in the LCR region to invest in equipment / software to progress innovation projects.
Regional		
The Northern Powerhouse and Regional Policy	Sets out the strategic framework for economic policy which would see the North of England achieve a sustained increase in productivity.	Lack of investment into Northern SMEs is identified as a barrier to productivity growth. Investment into SMEs in the LCR through PAPI may contribute to removing the productivity barrier.
LCR Strategic Economic Plan 2016-36	Sets out the strategic priorities, vision for change, delivery plans and explores the places, assets, opportunities and challenges of the Leeds City Region.	The plan outlines ambitions to implement coordinated and wide-ranging action to radically increase innovation under Priority 1 (Growing Business). PAPI directly aligns with this plan through the provision of grants for businesses to obtain machinery to support product and/or process innovation.

[14] Higher Education R&D
[15] Gross Expenditure on R&D

Strategy	Description	Alignment
LCR LEP Local Industrial Strategy 2019	Long-term plan for Leeds City Region designed to boost productivity and transform the area. The Strategy outlines ambitions to support businesses, innovators and budding entrepreneurs to develop and bring to life more and better ideas to solve societal challenges.	PAPI programme activities such as advisory and financial support for businesses will contribute to the principles / ambitions set out by Local Industrial Strategy by facilitating innovation which is likely to boost business productivity.
LCR Innovation Framework: Innovation for Everyone	Sets out the Innovation Vision and Priorities in the region.	PAPI directly contributes to Action 8 of the Framework (Increasing University – SME engagement).
Local		
Leeds City Council Inclusive Growth Strategy 2018-23	Outlines a 12-point Action Plan focused on supporting People, Place and Productivity in order to encourage inclusive growth in the city.	PAPI aligns with Priority 10 of the Strategy (Backing Innovators and Entrepreneurs in Business and Social Enterprises).
Bradford District's Economic Recovery Plan 2021	Sets out how partners will sustain jobs and boost productivity whilst building an inclusive, sustainable and resilient local economy.	Research and Innovation is outlined as one of four key enablers for the Economic Recovery plan. PAPI is intended to increase SME interaction with R&D providers and increase the level of innovation investment by companies. This innovation activity is intended to act as an enabler for recovery and resilience.
Inclusive Economy Strategy for Calderdale 2018-24	Builds on important elements from the previous Business and Economy Strategy but with an additional and more explicit focus on the wider role that the Council, other public sector and wider partners, including businesses and the third sector, can all play in reducing inequalities across the Borough.	The document outlines plans for an Advanced Manufacturing Enterprise Zone at Clifton offering up to 100% business rate discount worth up to £275,000 per business over a 5-year period. This incentive is complementary to PAPI's offering given the large number of manufacturing businesses involved in the programme.
Kirklees Local Economic Recovery Plan 2020-23	Covers the period from 2020 to 2023 – the likely timeframe for the local economy to return to pre-COVID-19 levels of employment and output.	Supporting business Growth and Enterprise is a key objective in the plan, which outlines potential new grant support for SMEs with potential to deliver job growth and innovation. PAPI's offering is

Strategy	Description	Alignment
		strategically aligned to this objective by also offering financial and advisory support for SMEs with potential to innovate through new machinery in the LCR.

2.3.4 Economic Context

Summary of Current Context

Long-term structural weaknesses in the UK economy (e.g., a low productivity and training deficit not conducive to innovation and regional disparities between the Southeast and the rest of the country[16]) have been exacerbated by a range of extraordinary external events such as Brexit, Covid-19, and the inflation and energy price crisis fuelled by the Russia-Ukraine war which have increased operating and supply chain costs for businesses.

This section assesses the economic environment in which PAPI beneficiaries operate and analyses the LCR's productivity and business profile. Where possible, the analysis compares LCR with other similar LEP geographies (i.e., Greater Manchester, Sheffield, and Derbyshire & Nottinghamshire). The rationale for selecting these LEPs for comparison is similarities in geography and size (as measured by economic output). Further details are provided in Appendix 3. All data presented below is the latest available for each metric.

The salient points to note are as follows:

- the number of active enterprises in LCR has increased from 84,480 in 2018 to 89,475 in 2021 (6%). The vast majority of these are micro in size (0-9 employees), accounting for 88% of the business base;
- "professional, scientific and technical" (13%), "construction" (13%) and "retail" (10%) are the most prevalent sectors in LCR by number of businesses. Companies from the manufacturing (7%) and business administration (8%) sectors also have a strong presence, with Leeds, Kirklees and Bradford being strong bases for manufacturing SMEs;
- total GVA in LCR increased from 2017 to 2019 (8.8%) but experienced a decline in 2020 (-2.4%) in line with regional and national trends, due to the Covid-19 pandemic;
- in 2020, West Yorkshire's GVA per head was £24,467, higher than Derbyshire & Nottinghamshire, West Midlands and South Yorkshire, but lower than Greater Manchester (£26,277) and the national average (£28,894);
- GVA per job in LCR increased from 2017 to 2019 (4.6%), however, growth slowed in 2020 (0.8%). LCR has increased GVA per job by a higher rate (5.4%) than all comparator regions during the period of 2017-20, apart from Derbyshire and Nottinghamshire (6.0%); and
- employment growth in LCR was 3.5% in Q4 2021, primarily driven by the construction sector and an increase in the number of infrastructure projects in Leeds and in wider West Yorkshire.

[16] https://www.coface.com/Economic-Studies-and-Country-Risks/United-Kingdom

The consensus from stakeholders during consultation was that Covid-19 slowed the delivery of the programme, whereby a business shift in priorities to 'survival mode' occurred.

> *"(businesses) had to divert their resources, their Capex, reset their capital resources from aspirational projects to survival projects that will have had an impact"* – **Stakeholder**

Stakeholders identified that Covid-19 has heightened the relevance of PAPI as an important vehicle for supporting regional recovery. Despite the programme coming to an end in June 2023, the current climate presents a significant opportunity for a similar innovation-focussed intervention in the future to build on growing SME interest in innovation and encourage more businesses to use innovation to achieve competitive advantage and increase resilience.

Looking ahead

PWC's most recent projections in their 2023 UK economic outlook 2023 report that London and Northern Ireland will be the only two UK regions with economic activity above pre-pandemic levels, whilst Yorkshire's GVA is expected to shrink by 3% relative to pre-pandemic levels. Despite this, half of all regions are predicted to shrink even further than this.[17]

When considering projected GVA growth in Q4 2023, Leeds ranks towards the weaker end of the scale, with an expected uptick of 1.7%, while employment growth is stronger, at 2.0%.18 Growth Sectors in the region such as financial and professional services, digital technologies, manufacturing and healthcare and innovation will be key for further economic recovery. [19]

The latest West & North Yorkshire Chamber of Commerce Quarterly Economic Survey for Q1 2023 also shows that confidence among businesses in the region has rebounded significantly, with improved expectations on turnover and expected profits are now higher than levels seen prior to the pandemic, having nearly doubled from the preceding quarter.[20]

Place-based interventions are widely viewed as key enablers for economic prosperity and increases in productivity. The PAPI offer corresponds to both suggested and planned enablers to promote increased regional productivity. For instance, in *Research to Recovery: Delivering an R&D-driven Industrial Strategy,*[21] the National Centre for Universities and Businesses (NCUB) suggests an enhanced role for UKRI to support local universities to develop a strong and diverse pipeline of R&D and innovation talent that flows in and between academia and industry. As evidenced by PAPI, universities are well placed to shape local ecosystems as they have the facilities and expertise to develop the talent and skills required for each stage of the innovation cycle and thereby supporting the levelling-up agenda.

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[17] https://www.pwc.co.uk/economic-services/documents/uk-key-predictions-2023.pdf
[18] UK Powerhouse 2022 – FDI into the UK (turtl.co)
[19] LCR LEP, 'Key Growth Sectors' (2021) https://www.the-lep.com/why-leeds-city-region/key-growth-sectors/
[20] https://www.wnychamber.co.uk/news/significant-rebound-of-business-confidence-in-the-region/
[21] NCUB, *Research to Recovery: Delivering an R&D-driven Industrial Strategy* (2020) https://www.ncub.co.uk/index.php?option=com_docman&view=download&alias=475-ncub-r-d-taskforce-report-2020-final&category_slug=reports&Itemid=2728

3. PROGRAMME PERFORMANCE

3.1 Introduction

This chapter provides a quantitative assessment of the PAPI programme's performance up to March 2023. The chapter includes a chronology of contract variations to date, as well as an analysis of the programme's financial performance, progress against contracted outputs, and service-take up.

Key Findings:

- a Project Change Request (PCR) was agreed in July 2020 (to reflect an increased budget and an extension of the practical completion date to September 2023). As of Q1 2023 (latest data available) the programme was behind contracted expenditure (-9%), attributable to reduced investment by SMEs as a result of the change of priorities following the outbreak of the pandemic (thereby slowing demand for grants), shifts in delivery between 2020-21, and reductions in other programme costs such as the cancellation of planned face-to-face engagement activity in accordance with local and national restrictions;
- as of March 2023, the programme has achieved notable delivery including: creating **194.16 gross FTEs** (113% of the programme target) and expecting a total of 242.16 gross FTEs, achieving 104% of the programme target for the number of enterprises receiving non-financial support (innovation workshops) (C4) and 138% of the programme target for number of new to market products (C28). However, the programme is behind programme target outputs in C5 (number of new enterprises supported) and C6 (private investment matching public support to enterprises), at 87% and 84% respectively; and
- PAPI has engaged businesses from across the programme's priority sectors. There has been particularly strong demand from (advanced) manufacturing, which accounts for 61% (82 enterprises) of supported SMEs.

3.2 Financial Performance

3.2.1 Programme Budget

In 2018, the UoY (as Accountable Body) secured £1,771,965 of ERDF revenue investment. As shown in Table 3.1, this was matched by £103,965 of public funding (UoY) and £1,668,000 of private sector contribution (beneficiary SMEs' contribution) to provide a total programme budget of £3,543,930.

Table 3.1: Original Programme Funding by Year and Source (£)

Funding Source	2018	2019	2020	2021	Total
UoY	1,511	25,212	51,042	26,200	103,965
ERDF	25,766	429,708	869,941	446,550	1,771,965
SME Contributions	24,253	404,496	818,900	420,351	1,668,000
Total	**51,530**	**859,416**	**1,739,883**	**893,101**	**3,543,930**

Source: ERDF Offer Letter (June 2018)

A Project Change Request (PCR) was signed off in March 2019 which reprofiled the total programme. In July 2020, a further PCR was agreed which extended the programme's practical completion date to 30th

September 2023. This variation increased the total programme budget to £6,773,544 (Table 3.2) and increased the total number of target enterprise assists from 88 to 171. The programme was on track to achieve original expenditure targets at the point of contract extension.

Table 3.2: Project Change Request (July 2020), (£)

Funding Source	2018	2019	2020	2021	2022	2023	Total
UoY	758	24,184	41,284	47,703	47,703	21,318	182,952
ERDF	14,039	447,693	764,238	883,076	883,082	394,643	3,386,771
SME Contributions	13,280	423,509	722,955	835,373	835,379	373,325	3,203,821
Total	**28,077**	**895,386**	**1,528,477**	**1,766,153**	**1,766,165**	**789,286**	**6,773,544**

Source: PCR (July 2020)

3.2.2 Programme Expenditure

Table 3.3 shows total expenditure to March 2023. By Q1 2023, planned expenditure was set to be £6,404,568 and actual expenditure was £5,844,167 (i.e., a variance of -9%). The rationale for this variance is primarily due to grant revenue expenditure being behind profile. Consultation undertaken with stakeholders explored the reasons behind the underspend in grant revenue and revealed that the Covid-19 pandemic placed limitations on programme delivery whereby businesses diverted capital resources from aspirational projects to survival projects (i.e., delaying planned investment), thereby slowing the uptake of grant funding. Other external factors such as Brexit were also reported to have caused delays in programme delivery due to longer lead times for the delivery of equipment, import duties and other administrative burdens.

UoY forecasts that by the completion date, the total programme expenditure deficit will be reduced to a variance of between 7.4% - 8.1%, representing an underspend of £499k - £550k. A total of £1,956,085 has been awarded in SME grant funding at the end of Q1 2023. This is expected to increase as further grant claims are processed in Q2 2023.

As of October 2022, the programme team were no longer able to accept any further grant applications due to time constraints in relation to the time required for funded activity to be undertaken and thus payments to be defrayed (on average, the time between expression of interest and grant payment was eight months).

Table 3.3: Programme Expenditure to March 2023

Type of Cost	Contracted Budget	Target Expenditure for Q1 '23	Actual Expenditure (Q1 '23)	% of Full Programme Target	% of Q1'23 Target
Salaries	£1,125,092	£1,081,958	£1,052,374	94%	97%
Overheads	£168,763	£162,294	£157,856	94%	97%
Marketing	£50,513	£50,513	£40,677	81%	81%
Consultancy	£71,165	£71,165	£53,542	75%	75%
Grant Revenue	£5,339,701	£5,020,327	£4,530,194	85%	90%

Other Revenue	£18,311	£18,311	£9,524	52%	52%
Total	**£6,773,544**	**£6,404,568**	**£5,844,167**	**86%**	**91%**

Source: PAPI Expenditure Tracker (March 2023)

Table 3.4 profiles the current expenditure of the ERDF grant (at March 2023). As per the total programme expenditure, the grant expenditure is 8% lower than anticipated at this stage of the programme.

Table 3.4: ERDF Grant Expenditure (March 2023)

	2018	2019	2020	2021	2022	2023	Total (Mar 2023)
Target	14,039	447,693	764,238	883,076	883,083	394,641	**3,386,770**
Actual	14,039	447,693	737,381	722,202	683,982	495,989	**3,101,286**
Variance	**0**	**0**	**- 26,857**	**- 160,874**	**- 199,101**	101,348	**- 285,484**

Source: PAPI Expenditure Tracker (March 2023)

3.3 Output Delivery

As highlighted by Table 3.5 (overleaf), the programme is largely on track to meet contracted outputs, and in some cases is exceeding targets:

- PAPI is **ahead of the programme target in relation to three outputs**: C4 (number of enterprises receiving non-financial support); C8 (employment increase); and C28 (number of enterprises supported to introduce new to the market products);
- **one further programme output target is projected to be achieved or exceeded** by the programme end date (number of enterprises supported to introduce new to the firm products);
- **three other outputs are projected to reach above 90% of their programme targets** (number of enterprises receiving support, number of enterprises receiving grants and private investment matching public support to enterprises); and
- **one target is expected to fall short of 90%** (number of new enterprises supported, 87%).

Table 3.5: Output Performance (March 2023)

Indicator	Programme Target	Performance (Mar 2023)	% Achieved	Comments
No. of enterprises receiving support (C1)	171	150	88	The programme is slightly behind target, and it is anticipated that this will fall short due to the impact of the pandemic on demand, forecasting 159 in total.
No. of enterprises receiving non-financial support (C4)	49	51	104	The programme has already overachieved the target for the number of enterprises receiving non-financial support.
No. of enterprises supported by grant (C2)	122	106	87	The programme is slightly behind target, and it is anticipated that this will fall short (116). It should be noted however that several businesses have received both financial support (i.e., a grant) and non-financial support (i.e., a workshop) and can only be claimed once as a C1 (enterprises receiving support).
Private investment matching public support to enterprises (grants) (C6)	£3,191,820	£2,667,309	84	The programme is behind target on this output due to the lag in SMEs defraying and claiming grant expenditure. It is projected that this target will fall short (£2,956,099), as a result of the C2 indicator also being anticipated to fall short.
Employment increase in supported enterprises (C8)	172	194.16	113	Target already exceeded. Forecasts suggest that the final figure will be 242.16.
No. of enterprises supported to introduce new to the market products (C28)	29	40	138	The programme has exceeded the target by 38%, whilst the number of supported enterprises under C28 is forecasted to rise further to 53. It should also be noted that only one output per business can be claimed, meaning that instances where SMEs have launched more than one new to market products, these additional outputs have not been accounted for. Taking this into account, the total number of new to firm products launched is 44, forecasted to increase to 61.
No. of enterprises supported to introduce new to the firm products (C29)	100	84	84	UoY forecasts 115 enterprises to introduce new products to the firm. It is noted that 136 new products are actually expected (with 101 products introduced as of March 2023), as some projects expect multiple new products as a result of the support.
No. of new enterprises supported (C5)	15	13	87	It is expected that this indicator will remain at 13 against an overall programme target of 15, therefore falling just short.

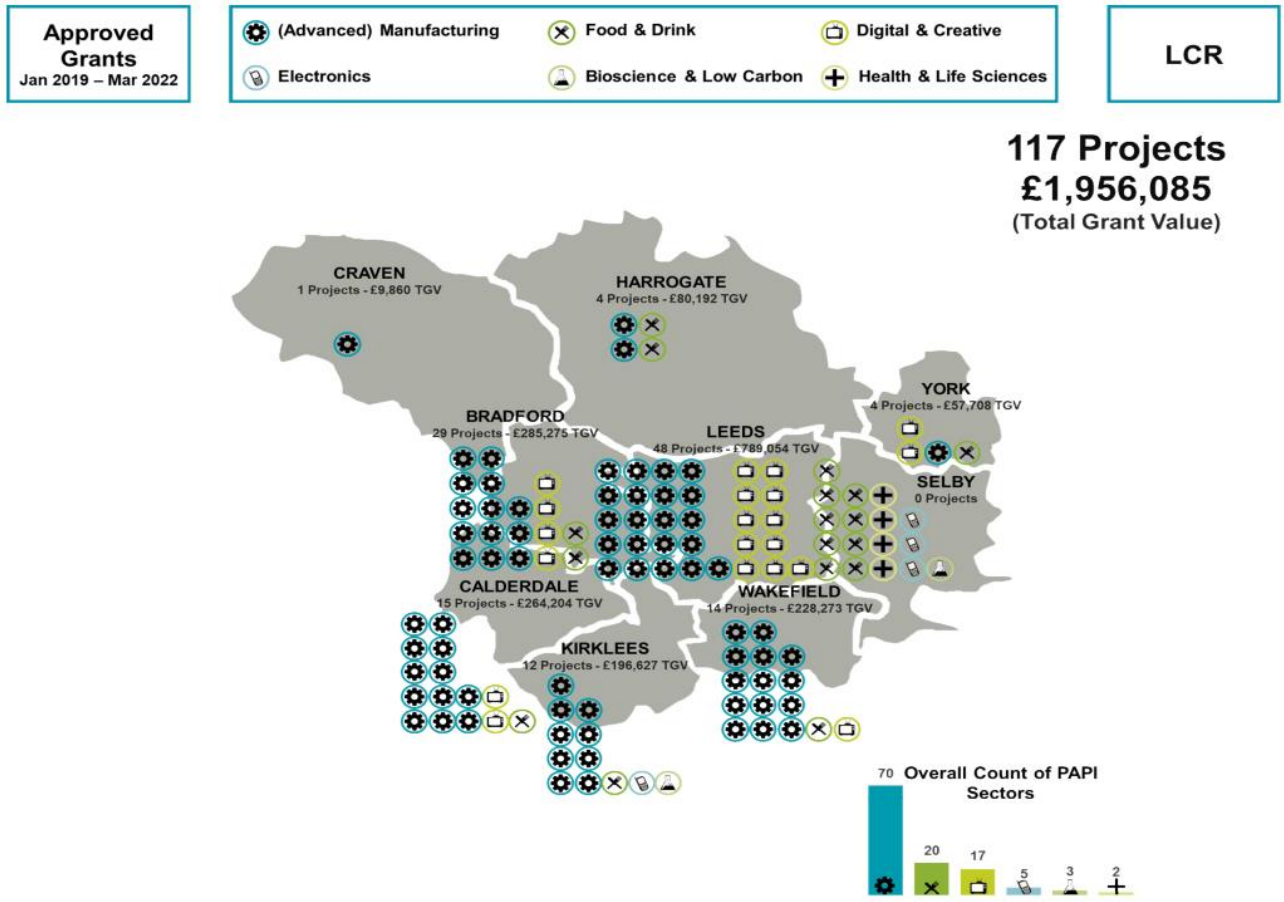
Source: PAPI Output Data (March 2023)

3.4 Service Take-Up

3.4.1 Geographical Coverage

The geographical spread of SME grant beneficiaries across the LCR is illustrated in Figure 3.1. There is a degree of clustering around Leeds (48) and the region's other urban centres (Bradford and Wakefield), however, there is also engagement from SMEs in Kirklees (12) and Calderdale (15). There are lower levels of take-up in districts in which there is overlap with the York and North Yorkshire LEP[22] i.e., Craven (1), Harrogate (4), York (4) and Selby (0), which reflects the agreement between the two PAPI programmes that SMEs operating in these areas will be supported through the YNYER PAPI programme.

Figure 3.1: Geographic Spread and Sector Breakdown of Grant Beneficiaries



Source: PAPI PMG Update Report (up to Q1 2023)

[22] MHCLG's 2018 *Strengthened Local Enterprise Partnerships* review called for the removal of geographical overlaps in neighbouring LEP boundaries. As of April 2020, Craven, Harrogate, York and Selby are now under the remit of York and North Yorkshire LEP however this has no implication for delivery in the LCR.

3.4.2 Sector Take Up

PAPI has supported businesses from across regional priority sectors (as highlighted in Figure 3.1). As a reflection of the area's business base, the majority of SMEs awarded grants are within the (Advanced) Manufacturing (n=70, 60%) and Food and Drink (n=20, 17%) sectors. The Health and Life Sciences sector is least represented, with only two SMEs receiving grant support.

A number of factors contribute to high prevalence of manufacturing businesses engaged by the programme. Firstly, consulted stakeholders suggested that the sector is very active in the region, with many SMEs '*well versed*' in available financial and consultancy support. It was also highlighted by a number of consultees that alignment to programme funding criteria was most obvious in manufacturing and food and drink based projects:

> *"A lot of people need this type of programme across the [Leeds] region especially because there are so many manufacturing businesses around. PAPI just seems to fit in really well with the needs of local manufacturing businesses; a lot of them need capital grants to buy key pieces of machinery to help them grow"* – **SME Growth Manager**

> *"A lot of SMEs in the area are food and drink specific and there is a lot of demand for innovation funding as they wanted to create new products"* – **SME Growth Manager**

A third contributing factor in the number of manufacturing businesses engaged on PAPI is the composition of the LCR business base (see Appendix 2 for further detail). Whilst not the largest sector in the region, manufacturing is a major industry with 6,550 enterprises. Over half of LCR manufacturing enterprises are specialists in advanced processes, R&D and product development, making the LCR with the area with the highest concentration of high-value manufacturers in the UK.[23] As seen in Appendix 2, manufacturing enterprises are particularly prevalent in the districts of Leeds (1,505), Kirklees (1,340) and Bradford (1,170). A significant number of engaged SMEs operate in these districts which may, in part, explain the high levels of PAPI investments in this sector.

3.5 Referrals

As shown in the breakdown of referral routes in Table 3.7, SME Growth Managers, other funding programmes and the LEP have proved key referral sources onto the programme.

Table 3.7: Number of Referrals by Source (March 2023)

Source	Number	Percentage
Business Funding Roadshow	2	1%
Not Stated	3	1%
Third Party Marketing	4	1%
PAPI Social Media	4	1%
Other	6	2%

[23] Leeds City Region LEP, 'Key Growth Sectors – Manufacturing' (2021) https://www.the-lep.com/why-leeds-city-region/key-growth-sectors/manufacturing/

Targeted Marketing Campaign	10	3%
Networking	13	5%
Local Council	15	5%
Gold Star Campaign[24]	19	7%
Intermediary	21	7%
Local Enterprise Partnership	21	7%
Direct Contact	21	7%
Word of Mouth	22	8%
Web Search	25	9%
Other Funding Programme	44	15%
Growth Manager	57	20%
Total	**287**	**100%**

Source: PAPI PMG Update Report (up to Q1 2023)

[24] The Gold Star Campaign was an engagement initiative whereby SMEs with growth potential were targeted via LinkedIn and direct email to help build a pipeline of high innovation projects.

4. PROGRAMME MANAGEMENT AND DELIVERY

4.1 Introduction

This chapter assesses the robustness of management and governance structures and processes and the effectiveness of the delivery model and beneficiary journey. Findings in this chapter build upon the formative assessment and are supplemented with evidence sourced through stakeholder consultations, as well as an online survey of 33 business beneficiaries.

Key Findings

- stakeholders consider the blend of private and public sector representatives on the programme governance board to be appropriate and the private sector representatives to be knowledgeable and skilled in their respective areas of expertise. Stakeholders also agree that PAPI programme management adheres to best practice and supports efficient and consistent delivery;
- stakeholders identified the clarity of the PAPI offer, the strong and frequent communication and the programme team's presence in the LCR as factors that led to the high-quality referrals on the programme. RSM's survey of business beneficiaries (n=33) identified that 79% of respondents (n=26) stated that they were satisfied or very satisfied with the PAPI application process; and
- the grant application process received mixed views from stakeholders and businesses. Some regarded the application process to be straightforward, while others reported issues with funding criteria or monitoring requirements. The innovation workshops have been well received by attendees, with individual aspects of the workshops (such as course organisation, delivery model and networking opportunities) largely receiving scores of very good and excellent in feedback forms collected by delivery staff. Areas of improvement suggested by stakeholders included reducing the volume of content, creating an easily accessible resource repository, and increasing networking opportunities.

4.2 Strategic Management and Governance

4.2.1 Strategic Governance

The PMG meets quarterly and serves to provide strategic oversight of the programme to ensure it meets contractual funding obligations as well as its reporting requirement to the UoY Executive Board. The group provides a clear separation between the programme's delivery and governance functions. Consulted stakeholders consider the blend of private and public sector representatives on the PMG to be appropriate and the representatives to be knowledgeable and skilled in their respective areas of expertise.

Overall, attendance at meetings has been strong, and the strategic insight and expertise of PMG members has added value to programme delivery (as stated by stakeholders). This is supported by the circulation of clear and detailed papers in advance of meetings which provide a comprehensive overview of programme progress and risks.

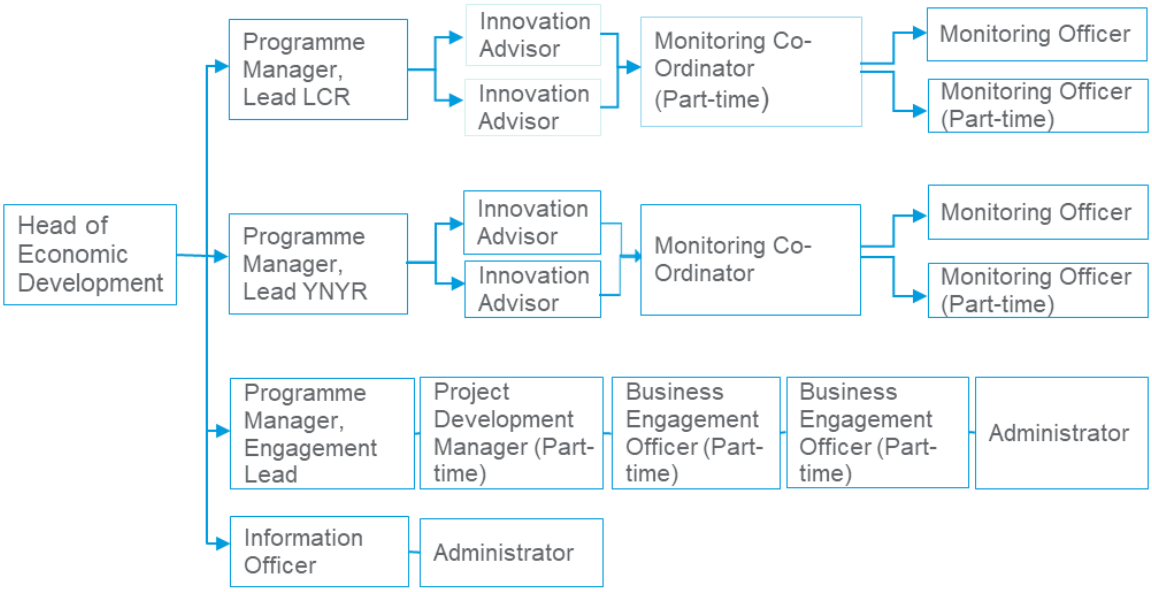
4.2.2 Programme Management

Figure 4.1 (below) shows the EDT restructure that took place in Q3 2020, which resulted in the creation of a distinct engagement team and an expansion of programme monitoring capacity.[25] The restructure has facilitated the LCR Programme Manager to take on additional programme management responsibilities

[25] All posts are funded through the ERDF contract.

outside of PAPI on a part time basis. The additional responsibility reflects the increased recognition of EDT staff expertise and the added value of the team to the wider university.

Figure 4.1: EDT Structure



Source: PAPI Organogram

Stakeholders agree that PAPI programme management adheres to best practice and supports efficient and consistent delivery. Practices include:

- weekly meetings of PAPI Programme Managers to discuss operational challenges and manage risk;
- quarterly team meetings to communicate progress against contracted outputs;
- the use of project management tools to create a Kanban system for tracking system progression;
- fortnightly meetings between IAs and the LCR Programme Manager and the Engagement Lead Programme Manager to review project pipeline and set targets for the number of applications brought to the appraisal panel; and,
- frequent opportunities for IAs to collectively review grant applications to ensure consistency and quality in the assistance provided to SMEs.

Consulted stakeholders identified that the management of the programme has been highly effective, with the account management approach being identified as key to the programme's success through the programme manager's close engagement with IAs, and the IAs close engagement with beneficiaries.

4.3 The Delivery Model

4.3.1 Marketing and Engagement

Referrals
PAPI benefits from a strong bank of referral sources (as seen in Table 3.7 in the previous chapter), which reflects the efforts of the programme team in building strategic relationships in the LCR. Stakeholders identified several factors which have supported high quality referrals onto the programme:

- **programme team presence in the LCR:** stakeholders consulted at the formative and summative stages commended the PAPI delivery team's willingness to come across LCR to engage with local businesses and stakeholders. This was particularly important in the early stages of programme delivery as it helped establish the PAPI offer locally and embed the programme within the SME support infrastructure;
- **clarity of the PAPI offer:** the product offer has been concisely packaged for simplicity and consistency. Several stakeholders noted this as a distinguishing feature of the programme which supports high quality referrals as the intervention can be explained easily to SMEs;
- **dedicated engagement team**: having a dedicated team to engage with potential beneficiaries and provide a direct access route to the programme was valuable to building the pipeline of beneficiaries; and
- **strong and frequent communication:** it was identified by the SME Growth Managers that they enjoy working with PAPI as the programme team ensure that they are kept abreast of SMEs progress through the delivery model which assists client management. The provision of regular newsletters which updates recipients of any changes to the programme and highlights recent success stories helps to maintain awareness of PAPI amongst stakeholders.

Diversifying programme referral sources to minimise delivery risk was a priority during the pandemic. A web enquiry form was embedded into the PAPI website in Q3 2020 to increase the number of self-referrals onto the programme. Whilst this contributed to programme pipeline, the programme also experienced a surge in ineligible businesses expressing interest in PAPI, creating significant front-end work for IAs in signposting SMEs onto more appropriate support.[26] PAPI's approach to increasing high quality referrals onto the programme also included building new relationships with private sector intermediaries (such as accountants) operating in the region.

Stakeholder consultation has identified that the management team at PAPI were proactive in engaging with key referral sources (such as SME Growth Managers), noting that the PAPI team reached out to introduce themselves and the programme, including the eligibility requirements and application process. Stakeholders identified that an open channel of communication was maintained between PAPI and the growth advisors which fostered an excellent working relationship.

Application and Approval Process
The online survey of business beneficiaries undertaken for this evaluation assessed the satisfaction with the recruitment process. This is summarised in Table 4.1. Overall, 79% of respondents (n=26) stated that they were satisfied or very satisfied with the application process. As highlighted below, for each aspect of the process, the majority of respondents were either satisfied or very satisfied.

[26] The project team suspect the notable rise in ineligible self-referrals is a reflection of the challenges many SMEs were facing due to Covid-19 which results in some businesses seeking support from irrelevant interventions.

Table 4.1: Satisfaction with the recruitment process

	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very satisfied	N/A	Response Total
Ease of understanding eligibility	3%	9%	9%	33%	42%	3%	33
Level of information provided about the programme	3%	0%	0%	36%	58%	3%	33
The application process	9%	6%	21%	27%	33%	3%	33
The review process	9%	6%	9%	27%	45%	3%	33
Timeliness of the process	6%	9%	9%	33%	39%	3%	33
Level of support provided	3%	3%	3%	21%	58%	12%	33
Quality of any advice provided	3%	3%	6%	12%	64%	12%	33

Source: RSM UK Online Survey; N = 33 businesses

Programme Targeting

Overall, PAPI was deemed by stakeholders to be appropriately targeted and is investing in projects with a strong innovation focus. The programme has embedded the European Structural Investment Funds (ESIF) horizontal principles into delivery by giving all applicants had equal access to grant or workshop support. A stakeholder identified that there were challenges in effectively targeting sustainability / environmental-focussed projects. At the formative evaluation stage, it was highlighted that greater focus should be given to monitoring data in relation to female-owned or led businesses and recommended to target this group to bring about uplift in numbers. In March 2020, PAPI delivered an innovation event to coincide with International Women's Day that specifically targeted female-owned or led businesses with c. 90 attendees. In 2019, 5.7% of the Expressions of Interest (EOIs) received that year were from female-led businesses, however, this increased to 11.9% of EOIs in 2022.

Marketing Approach

As noted in the formative evaluation, substantial resource was dedicated to diversifying and improving indirect marketing channels with outputs and activities including:

- a new centralised PAPI website (papi.org.uk) designed to be engaging for users and clearly communicate programme objectives, eligibility requirements and impact[27];

[27] DLUHC has allowed joint procurement on purchases (such as website creation and other promotional materials) that are not contract specific. This will aid consistency of messaging across the LCR and YNYER contracts.

- a refresh of the programme's Twitter account to increase following and drive engagement; and,
- LinkedIn campaigns such as the PAPI advent calendar.

It was noted by a stakeholder that initially there were some issues with the marketing of the innovation workshops, with a high level of candidates applying that weren't suitable for PAPI. However, refocussing the marketing content and increased engagement on social media have proven particularly effective in improving the quantity and quality of applicants filtering through the workshop portion of the programme.

It was highlighted that over the course of programme delivery, the marketing activity has become less of a focus as PAPI has now established itself within the business support environment, word of mouth marketing is now a key source of demand, and the pipeline of beneficiaries has increased.

4.3.2 Grant Application

Stakeholder consultation has identified mixed views on the grant application process. Whilst some consultees highlighted the application to be straightforward and commensurate to the size of grant available, other consultees highlighted that elements of the application were more challenging (e.g., in relation to projected impacts of the funding):

> *"One of the things that had not been asked in any previous applications was the projected or predicted revenue growth as a result of [the grant] – what will that look like in terms of increased sales and that's really hard to predict"* ***Grant beneficiary***

> *"I didn't know at the time of applying how complicated the process would be. If I'd known, I probably would still have gone for it, but I would have gone for it with my eyes wide open."* ***Grant beneficiary***

All grant beneficiaries consulted agreed that the application assistance provided by IAs was of high quality and, in many instances, served to simplify and accelerate the application process. Beneficiaries identified the following practices as critical to effectively supporting SMEs though the application process:

- **clear communication:** all consultees agreed that they were made aware of the time investment required to submit, process and administer the capital grants;
- **responsiveness:** businesses valued swift responses to queries from PAPI and feedback on application drafts as it helped to ensure key deadlines were met; and
- **a consistent point of contact:** consultees appreciated the allocation of one main point of contact throughout the grant process. It was felt this made the process more efficient as time was not wasted in locating the appropriate team member to address certain issues. The account management approach also added a more tailored feel to the programme, with beneficiaries stating that advisors had invested in understanding their business and in ensuring that support was specific to their needs.

The clarity of communication was also reflected within the online survey. Table 4.2 provides a summary of whether respondents were given enough information about PAPI and the expectations in relation to the areas noted.

Table 4.2: Clarity of Communications and Expectations

	Level of Information Provided					Response Total
	No	Yes, to some extent	Yes	Don't Know	N/A	
The time commitment needed to participate in the programme	0%	21%	79%	0%	0%	33
The claim process	3%	18%	73%	3%	3%	33
The monitoring process	0%	18%	79%	0%	3%	33

Source: RSM UK Online Survey; N = 33 businesses

4.3.3 Grant Appraisal

Grant appraisal processes were considered efficient and robust by stakeholders. Consultation with appraisal panel members highlighted that they were given appropriate notice for when their services were required, and the project summaries contained in the panel packs provided sufficient detail for rigorous assessment. Consulted stakeholders agreed that the appraisal panel was composed of the correct blend of expertise to ensure that PAPI investment was directed to the right projects and consider the UoY to have had an appropriate appetite for risk.

> *"The reviewers came from different backgrounds which made the review process more openminded and diverse it was like having a randomised control trial for what is innovation. If it convinces diverse panel, then its innovative."* **Member of appraisal panel**

> *"It was quite a slick process to determined who gets funding, made sure we to get the money to the right people. From an audit perspective, it is really robust, the scoring was robust and objective."* **Member of appraisal panel**

The grant appraisal process followed a strict timeline to ensure businesses received a quick application outcome. Whilst this was valued by consulted beneficiaries, it was noted that tight turnaround times for scoring can be *"slightly stressful"* for appraisers, particularly for panels in which numerous applications were being assessed. All consultees agreed that the appraisal criteria were clear, however, frequent discrepancies in panel member scores prompted a review of the scoring guidance by the PAPI Programme Managers. A number of panel members consulted suggested the grant appraisal process should include a panel meeting once individual scores are submitted to discuss the merits and weaknesses of each project. A consultee also suggested ensuring the marking criterion on the scoring sheets closely corresponds to the headings and question order in the appraisal packs to make the scoring process more efficient by reducing the time spent searching for information within the project summaries.

All consulted appraisal panel members felt valued for their contribution to the programme and identified additional benefits to their role, namely, an increased awareness of innovation trends and SME activity in the LCR. Annual meetings with appraisal panel members facilitated ongoing programme process updates

and provide opportunities for updates and networking. Some consultees suggested that PAPI should facilitate networking opportunities for appraisal panel members to add further benefit to the role.

4.3.4 Procurement and Programme Monitoring

Businesses appreciated the expertise of IAs, both in preparing the Requests for Quotation (RFQ) and in performing a 'critical friend' role in the analysis of supplier responses:

> *"I would give the support five out of five for everything because it's just been great. [the staff] been wonderful…the support I got when choosing a new developer was key, I felt that the people helping me choose the developer were being very robust."* – **Grant and Advisory Beneficiary**

Despite some business beneficiaries expressing frustration with ERDF procurement requirements, the majority of beneficiaries did not find the process challenging and recognised efforts by the PAPI team to reduce the administrative burden on SMEs at this stage in the beneficiary journey.

The introduction of DocuSign for procurement and Zoom for claims meetings, as part of PAPI's response to Covid-19, was welcomed by SMEs, as it streamlined many of the programme's customer-side monitoring duties. Despite beneficiary unanimity that remote administration enhanced the programme delivery model during Covid, many consultees stressed that the flexibility to choose either in-person or digital meetings was important as some businesses may benefit from face-to-face engagement. The flexibility to submit grant claims in stages helped SMEs to manage cashflow. No improvements to programme monitoring processes were identified by stakeholders or beneficiaries. The overall efficiency of administration of PAPI is seen to contribute to the positive reputation of the programme regionally.

> *'The monitoring requirements where not a problem' I'm used to having to do that. At the end of the day' I'm very aware that when someone is giving us free money that it comes with strings attached and that is absolutely fine.'* – **Beneficiary Business**

4.3.5 Innovation Workshops

Innovation Workshops have been delivered in the LCR in which initial engagement from local SMEs was below expectations. Consulted stakeholders did not think this indicated apathy for the offer, but rather that it highlighted the importance of long lead in times and effective marketing to reach suitable businesses:

> *"As the market is quite crowded, it takes a while to get the offer established in stakeholders and businesses minds. Momentum is often important with these things. It's good to have some regularity to workshops even if it's not frequent as having big gaps between events means that you have to start from scratch each time."* – ***Stakeholder***

As noted in section 4.3.1, the marketing of the programme was refocussed and the PAPI offer is now firmly established in the market.

The workshops have been well received by attendees, with individual aspects of the workshops (including on course content, organisation, delivery model and networking opportunities etc.) largely receiving scores of very good and excellent in feedback forms collected by delivery staff.

> *"A highly relevant, engaging and useful programme of activities professionally delivered. We would highly recommend start-up businesses to participate."*

"Mind-blowing, mentally challenging but once you take it all on board, your world is your oyster."

*"The workshops and the programme in general are not just about creating jobs and growth, it's about creating generational jobs, better jobs where people are looked after at work. Make sure staff is trained properly to enable the leader of the business to let go a little bit, improving their delegation and leadership skills so that they can scale the business." – **Stakeholder***

*"Through content, coaching and the peer-to-peer support, we've really focused on showing them how to scale by putting in place standard operating procedures through training, through leadership approach." – **Stakeholder***

Overall, consultees agree that the transition to a remote delivery was efficient and effective.[28]SMEs value the added flexibility afforded through the online delivery model as travel time to venues was eliminated (thereby increasing accessibility) and the new "pick and mix" approach to the second week of sessions allowed participants to tailor their learning to suit business needs and capacity.

The effective use of Zoom and other digital tools was praised by beneficiaries who commended the facilitators skill in engaging each participant in the content and promoting networking between attendees. Whilst beneficiaries expressed high satisfaction with programme delivery, a few areas of improvement were suggested:

- **reducing the volume of content:** EOIs are analysed to inform workshop design to ensure that content is applicable and useful to attending SMEs. Whilst the content is considered relevant, some beneficiaries found the volume of activities '*daunting*' and in some instances, led to challenges in delivering planned content in the time available;

- **creating an easily accessible resource repository:** workshops resources are made available to participants to support the implementation of learnings; however, they are sent across piecemeal via email which can cause information to become easily lost.; and

- **increasing networking opportunities:** the opportunity to connect with like-minded individuals with an interest in innovation is valued by SMEs. It was suggested that more time should be built into the programme to further facilitate networking which could include interaction with Innovation Workshop alumni to further broaden participant's networks

Consultation findings at the formative stage indicated that the Innovation Workshops provided an alternative gateway into PAPI and were key mechanism through which the wider ambitions of the contract – i.e., supporting collaborative working relationships between SMEs and HEIs and raising the profile of the University and its commercial offer – were delivered. The workshops play an active role in nurturing the regional innovation ecosystem by providing an engaging blend of theoretical and practical insight into the role of innovation in the business growth cycle. As content is tailored to each programme cohort, the

[28] Prior to March 2019, workshops were delivered over two full days, each session separated by a fortnight to allow SMEs to implement learning and create a business plan for expert feedback. Since March, Covid-compliant workshops have been held over Zoom. Similar to in-person delivery, delegates attend a full day's training after which there is a week's break before a week of hour-long sessions. Whilst some compulsory sessions during the second week, the majority are voluntary to attend in order to accommodate SMEs training needs as well as individual's business and personal commitments.

programme can respond to new and emerging business needs though the Innovation Workshops as evidenced by the inclusion of modules on business resilience and pivoting in response to Covid-19.

*'It really addresses the barriers companies have with regards to innovation the workshops help them create a plan break [innovation] down so that you have manageable bite size pieces. They teach you how to do innovation in an agile and cost-effective way, how to make chap prototypes, helps them improve productivity and scale and helps managers and directors improve their management skills.' – **Stakeholder***

Furthermore, there is some evidence to suggest that attendance at the workshops can be a 'gateway' to subsequently accessing grant funding. Ten workshop participants (20%) subsequently were awarded grant funding through PAPI, however, it should be noted that two of those businesses did not proceed with the grant.

5. OUTCOMES AND IMPACTS

5.1 Introduction

Chapter Five tests the validity of the programme's logic model (as identified in section 1.2) by outlining the outcomes and impacts identified through monitoring data, stakeholder consultations (including a sample of SME beneficiaries) and the online survey (33 beneficiary responses in total).

This section should be read as a snapshot of emerging findings rather than as a reflection of the definitive level of impact provided by the programme due to the long-term nature of the programme impacts.

Key Findings

- outcomes realised from the logic model include: increased level of innovation investment by companies; increased company growth, employment and sales; and improved engagement between UoY and regional SMEs. 91% of businesses (n=30) from the beneficiary survey reported they had increased employment due to the programme, with 194.16 gross FTE jobs created by programme beneficiaries to date. Beneficiaries of the grants commented on its suitability to address needs such as upgrading machinery, technology and processes to enable them to attract new and larger customer bases;
- additional 'softer' outcomes include the adoption of an innovation mindset built on improved senior leadership capabilities and enhanced product design, as well as increased SME competitiveness and extended business networks;
- in relation to VfM, with 194.16 gross jobs created to date, this results in an average ERDF cost[29] per gross job created of £15,973 and an average SME grant cost[30] per gross job of £10,075; and
- evidence of longer terms impacts is limited at that stage; however, the programme beneficiaries are projected to create a net additional annual GVA impact through the net jobs created of £5.6 million, which equates to £1.80 of GVA for every £1 of ERDF funding invested.

5.2 Programme Outcomes

This section provides evidence of outcomes as per the logic model.

5.2.1 Improved understanding of the process of innovation and its potential benefits to company development plans

Through SME grant activity, and as highlighted in section 3.3, the programme has recorded the following outputs:

- 40 enterprises have been supported to introduce new to the market products; and
- 84 enterprises have been supported to introduce new to the firm products.

This suggests that firms have embraced the opportunity to introduce a range of new products, suggesting that they understand the process of innovation and recognise the benefits that can be derived.

[29] i.e., the total funding drawn down from ERDF divided by number of gross jobs created
[30] i.e., the total SME grant funding awarded divided by number of gross jobs created

Stakeholder consultation identified that the innovation plans developed through workshops give companies a roadmap to implement innovative approaches. The beneficiaries received one on one support from delivery staff to help them develop the plan, which ensures co-ownership, and this was well received by businesses.

Stakeholder consultation has identified that the workshops have been instrumental in helping beneficiaries to truly understand what innovation is and how it can apply to their businesses:

> *"a workshop attendee reported that they found it quite invaluable and said that it helped them with a far better understanding of what true innovation was. The ability to understand what he could apply for through the workshops and the leadership that was shown to him from the advisors enabled him to apply twice" - **Stakeholder***

Furthermore, as noted in section 4.3, the feedback received from workshop attendees has been positive, with individual aspects of the workshops (including on course content) largely receiving scores of very good and excellent in feedback forms collected by delivery staff.

5.2.2 Increased level of innovation investment by companies

Strategic stakeholders reported that engaging with IAs led businesses to think about innovation, however, it was noted that the evidence of a significant change in appetite for innovation is not yet tangible. It should also be noted that the current economic climate limits the potential for businesses to continue to invest in innovation.

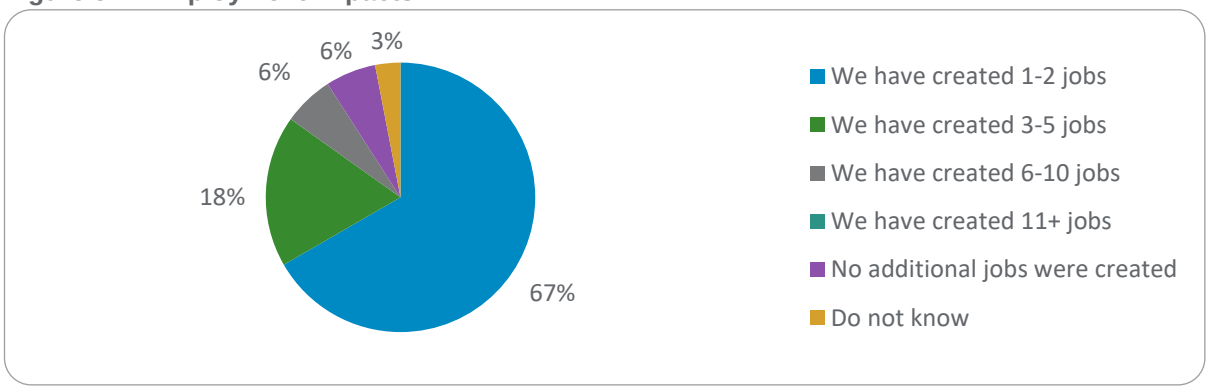
However, as highlighted in section 3.3, a total of £2.7 million of private investment has been secured through the programme – this demonstrates a willingness of beneficiaries to invest in innovation (certainly within the context of their PAPI project).

At this stage, there is limited evidence of businesses investing in follow-on projects, however, stakeholders noted that for many beneficiaries, their PAPI project represented a step-change in their business and was the key project they were working towards. Therefore, evidence of participant investment may emerge in the future.

5.2.3 Increased company growth, employment and sales

Employment
As identified in section 3.3, 194.16 gross FTE jobs have been created by programme beneficiaries (i.e., an average of 1.8 gross jobs per business supported by a grant). Figure 5.1 also identifies the employment impacts reported through the online survey. In total, 91% of respondents (n=30) have reported creating jobs.

Figure 5.1: Employment Impacts



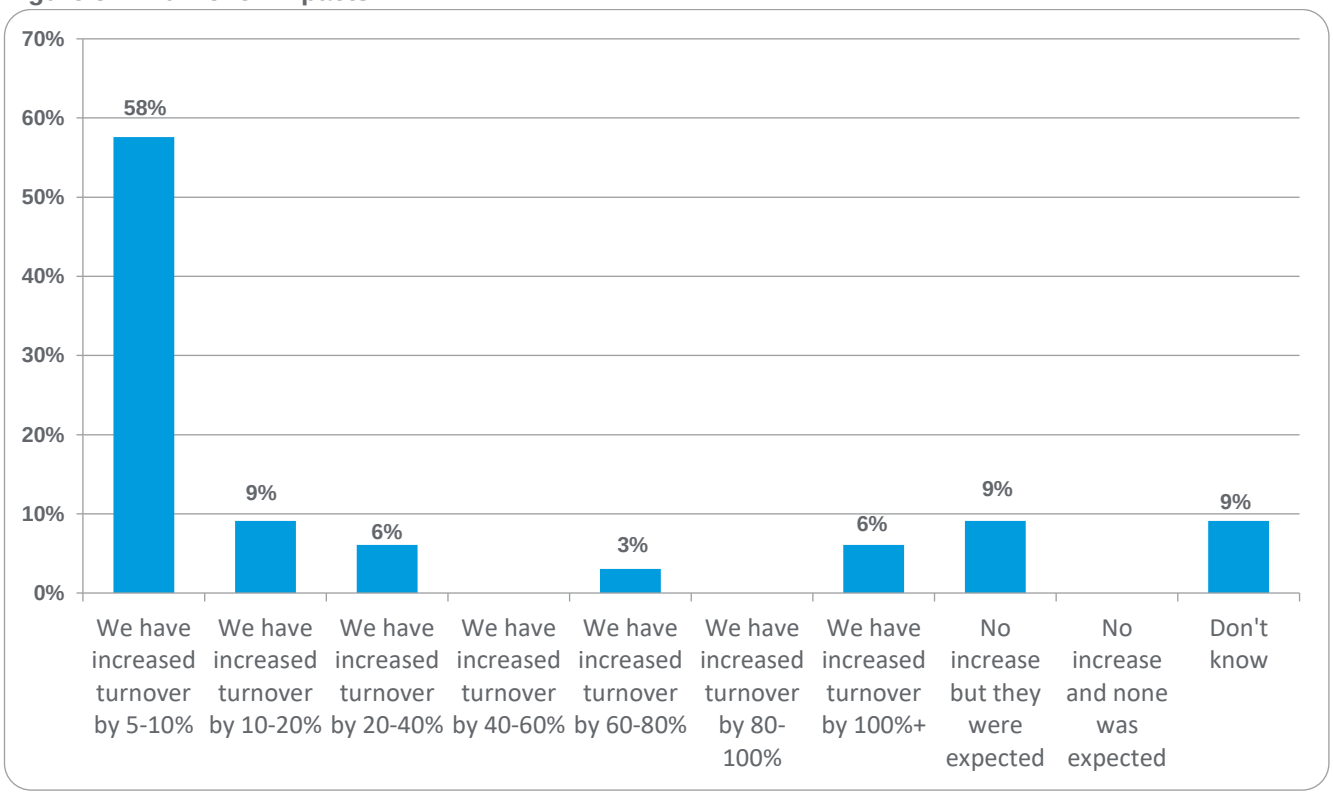
Source: RSM UK Online Survey, n=33

At this stage, it is difficult to quantify the overall impacts on wider employment levels in LCR.

Sales

Figure 5.2 identifies the turnover impacts reported through the online survey. In total, 82% of respondents (n=27) have reported increased turnover as a result of the programme, the largest proportion of which have increased turnover by 5-10%. Two respondents reported that they increased turnover by more than 100%.

Figure 5.2: Turnover Impacts



Source: RSM UK Online Survey, n=33

Stakeholder consultation has identified success stories of beneficiaries that have experienced significant impacts following their participation in PAPI:

> "*A beneficiary has gone from 8 employees up to 25 and experienced a 300% growth in sales. Whilst not purely attributable to PAPI, the equipment helped generate the increased sales and the need for a larger workforce"* – ***Stakeholder***

> *"The technology, product and system put in place as a result of PAPI added credibility to our operation and assisted us in securing our biggest customer overseas, which resulted in an annual order of approximately £300,000 a year"* – **Grant Beneficiary**

Company Growth
In addition to the growth in sales and employment, wider business growth impacts have been identified. The online survey of business beneficiaries has identified that of the 33 respondents, a total of 88% of respondents (n=29) had accessed new markets to at least some extent, with 90% (n=27) expecting this to increase in future. Furthermore, 76% (n=25) identified that they were able to continue to grow despite the impact of the pandemic, with 91% (n=20) expecting this to improve in future.

Consultation has identified that a key outcome of the programme has been enabling beneficiaries to scale their business through servicing larger clients and new segments within their target markets:

> *"One of our larger retail customers wanted to put in a big order but to fulfil the order we needed to (install) new machinery and processes to comply with their requirements for the shelf life of food products. PAPI allowed us to do that"* – ***Grant Beneficiary***

> *"(PAPI) allowed us to purchase the most up-to-date Direct to Garment Kit and enter that segment of the market with a competitively priced product with short production lead-times. This ensured we could be a 'one stop shop' for our UK and EU clients, enhanced customer loyalty and ensured we are a leading provider of all types of decorated garments for in our sector."* – ***Survey Respondent***

5.2.4 Increased and ongoing, interaction with R&D providers to benefit from their expertise, facilities and networks

Stakeholder consultation has identified examples of increased and ongoing interaction with R&D providers. For example, it was identified that some businesses subsequently engaged with BioVale / Biorenewables Development Centre (particularly within the food and drinks sector). This was facilitated through referrals from the PAPI programme.

> "*We have been able to cross-refer projects between PAPI and the Biorenewables Development Centre. When (BDC) gets referrals, (BDC) would do more of the R&D work - so PAPI was the first step and (BDC) took them further"* **– Stakeholder**

5.2.5 Improved engagement between the University of York and regional SMEs

Stakeholder consultation has identified that PAPI has increased the outreach of the university and the level of collaboration between the university and the local SME business base:

> *"The University would tell me what they're doing or what's going on and I would contact them. We would certainly be open to more university collaboration"* – ***Business Beneficiary***

It was reported that PAPI has helped the university to build a 'database' of company contacts for the university to access, which creates a network / link between researchers and SMEs. Furthermore, business beneficiaries reported that they were signposted to other events and opportunities that UoY was providing.

A stakeholder noted that through business participation in the workshops, the relationship between the university and the local SME community has improved, increasing business understanding of what the university does and can offer.

> *"PAPI has made the University [of York] much more human and it has been good for building relationship between them and the SMEs in the area. Companies have been able to be more connected in with the knowledge exchange people at the University" – **Stakeholder***

> *"There is an awareness that there is a capital expenditure scheme facilitated by the university that has performed well and has a lot of reportable benefits, and a lot of businesses know about it. There is a rising expectation that this finance may be there in the future, and if there isn't who fills the void?" -* **Stakeholder**

The online survey also identified whether engaging in the programme has increased beneficiaries' interest in seconding employees to UoY, working with UoY to support on research projects or working collaboratively with UoY on innovation projects. This is summarised in Table 5.1.

Table 5.1: Interest in Further Engagement with UoY

	No not at all	No but maybe in the future	Yes, to some extent	Yes, to a large extent	N/A	Response Total
Seconding employees to UoY	28%	41%	6%	3%	22%	32
Commissioning UoY to support research projects	25%	38%	22%	3%	13%	32
Working collaboratively with UoY on innovation projects	21%	39%	21%	6%	12%	33

Source: RSM UK Online Survey; N = 32 - 33 businesses

In addition to the employment impacts outlined above (section 5.2.3), the online survey also identified that 45% of respondents (n=15) have increased their interest in offering studentships / internships / work placements, with a further 27% (n=9) stating that this is something they may consider in the future.

5.2.6 Promoting an Innovation Mindset

Knowledge acquired through IA application assistance and workshop attendance is enhancing product design, which at a project level, is an important outcome as higher quality product designs are likely to contribute to increased job and innovation claims. At a business level, a greater appreciation of innovation to inform development activities can lead to an increase in the scale of growth projects.

The online survey of business beneficiaries has identified that of the 33 respondents, 55% (n=18) stated that there has been an increased focus on innovation in their company to a large extent, with a further 45%

(n=15) stating that there has been an increased focus on innovation to some extent. Furthermore, 87% of respondents (n=26) expect the focus on innovation to increase in future.

5.2.7 Increased SME Competitiveness

The online survey of business beneficiaries has identified that of the 33 respondents, a total of 93% of respondents (n=31) had improved their position against competitors to at least some extent, with 48% (n=16) stating that this had improved to a large extent. Furthermore, 90% of respondents (n=27) expected this to improve further in future.

*"The grant was sizeable, relatively quick to process and access. The funding helped us secure equipment and progress the company's position" – **Survey Respondent***

Furthermore, of the 116 businesses supported by a grant, only two businesses (1.7%) entered administration during the pandemic, suggesting that beneficiary businesses were resilient to the external economic shock.

5.2.8 Development of Business Networks

Three respondents to the online survey noted that improved business networks / access to networking events was an additional benefit to participating in the programme.

Analysis of beneficiary consultations suggests the Innovation Workshops are an effective mechanism for the development of business-to-business relationships. It was noted in the interim assessment that the workshops' emphasis on peer learning and networking can support the development of a pipeline for collaboration between attendees. The nurturing of R&D-focused SME networks is a significant programme outcome that will aid regional growth and increase the level of innovation.

5.2.9 Increased Production Efficiency

Stakeholder consultation has identified that through PAPI, businesses can increase production efficiency through the streamlining or automation of manufacturing processes. Business beneficiaries report applying the equipment purchased for the purpose of product development to a variety of manufacturing applications to improve efficiency and precision, resulting in reduced costs and, in the longer term, increased company growth.

Furthermore, by investing in equipment / machinery improvements, beneficiaries have identified that they have been able to increase their scale of output and secure new clients:

"We now have an automated packaging system that works got our product and where we can quickly add best by labels so we can now produce at larger scales faster"– **Grant Beneficiary**

5.2.10 Improved Leadership Capabilities

In the formative evaluation, consultations with workshop attendees suggested that the Innovation Workshops were enhancing senior leadership capabilities and encouraging employees to partake in the innovation ecosystem. It is anticipated that improved SME leadership capabilities and knowledge will directly contribute to the programme's longer-term impact by raising the number of innovation active businesses in the LCR as R&D activity becomes more embedded in company culture.

In addition to the impacts outlined above, the online survey also identified that 27% of respondents (n=9) have increased their interest in purchasing CPD training, with a further 36% (n=12) stating that this is something they may consider in the future.

5.2.11 Additional Outcomes

In addition to the outcomes identified within the logic model, it is noted that a requirement of the programme monitoring is articulate the impact on productivity and the number of jobs safeguarded through the programme interventions. It should be noted that this requirement was added following the extension of the programme (i.e., mid-way through programme delivery), and was not an aim for the programme, as such the monitoring processes were not designed to collect this information from the outset of the programme.

Table 5.2 provides a summary of the monitoring data available in relation to jobs safeguarded by beneficiaries. Given that this requirement was added mid-way through programme delivery, the monitoring data could not reasonably be expected to be comprehensive.

Table 5.2: Jobs Safeguarded

Metric	Value
Jobs forecast at risk prior to ERDF support (No.) (Baseline)	38.5
At risk jobs still in existence 6 months post ERDF support	11
Jobs Safeguarded	**27.5**

In relation to productivity, the outcomes identified above (sections 5.2.1 – 5.2.10) contains a range of factors that would result in improvements relating to productivity, particularly in relation to:

- the level of innovation investment by companies;
- increased company growth;
- increased SME competitiveness; and
- increased production efficiency.

The evidence associated with these outcomes would suggest improvements in productivity, however, further monitoring data is not available.

5.3 Programme Impacts

The longer term intended impacts captured in the programme's logic model include an increase in the of SMEs that are innovation active, increasing regional GVA and increasing employment levels. Evaluation consultations and monitoring data provide early evidence of these impacts, however, given the regional focus of the impacts, it is difficult to attribute specific quantitative measures.

Note: employment impacts have been explored as part of section 5.2.3 above and are not further duplicated below.

5.3.1 Increase in the number of SMEs that are innovation active

Stakeholder consultation has identified that PAPI has made innovation more accessible to SMEs through the provision of funding and the IA support. PAPI, and future programmes with a similar innovation focus, may therefore contribute to an increasing level of innovation within the SME base of LCR.

> *"I think it's made innovation more possible. Businesses wouldn't have been able to have the level of investment that they've had, so it's brought it more to be more accessible for more businesses who otherwise without the support wouldn't have been able to do what they want to do."* - **Stakeholder**

> *"The grant which has enabled us to develop the software and leap forward into the next stage of our continual development" – **Survey Respondent***

The additionality of programme activities has been tested via self-reported counterfactuals in the online survey undertaken for this evaluation. This found that, in the absence of the PAPI grant:

- 22% of respondents (n=7) stated that they would not have continued with their project;
- 63% of respondents (n=20) stated that they would have continued, but at a reduced scale / longer timeframe;
- 13% of respondents (n=4) stated that they would have continued their project through alternative funding; and
- one respondent (3%) noted that they would have continued with the project at the same scale / timeframe.

This is not a direct assessment of the increase in number of businesses that are innovation active, however, as a proxy, this would suggest that 85% (n=27) of respondents have been / currently are undertaking more innovation activity than they otherwise would be.

In addition to the direct increase in innovation, there are other benefits which will indirectly lead to further innovation, including through the development of networks / collaboration.

5.3.2 Gross Value Added

In assessing the net GVA impacts of the PAPI programme (i.e., accounting for additionality of impacts), we have considered additionality benchmarks produced by Cambridge Economic Associates (CEA) in 2009 for BIS[31] (now DBT). This research considered additionality data from over 280 evaluations across a range of economic development interventions. The evaluations were analysed by theme/sub-theme (including interventions that focus on the promotion and development of science, R&D and innovation infrastructure) and spatial level (sub-regional or regional interventions). The additionality chain[32] for interventions that focus on the promotion and development of science, R&D and innovation infrastructure was suggested as:

[31] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191512/Research_to_improve_the_assessment_of_additionality.pdf

[32] Note: all figures reported are the median for the sub theme of "promotion and development of science, R&D and innovation infrastructure", reported at a sub-regional level. However, the multiplier identified is at a regional level to reflect that supply chain impacts would extend beyond the LCR region.

- **deadweight** (the proportion of total outputs/outcomes that would have been secured without the intervention) 60%;
- **displacement** (the proportion of outputs/outcomes that are reduced elsewhere as result of the intervention) – 5%;
- **leakage** (the number or proportion of outputs / outcomes that benefit those outside the target areas of the intervention) – 0%;
- **substitution** (an effect that arises when, for example, a firm substitutes a jobless person to replace an existing worker to take advantage of public sector assistance) – 0%; and,
- **multiplier** (further economic activity resulting from indirect supply chain and induced income impacts) – 1.5.

The assumptions outlined above appear to be appropriate for assessing the PAPI programme as:

- project eligibility criteria for PAPI are such that leakage is likely to be negligible (i.e., businesses must be based in the LCR). Therefore, leakage has been included at 0;
- the scale of jobs created in PAPI (i.e., 194.16 gross FTEs created) are such that displacement is unlikely to be high in terms of the LCR region, with the market able to absorb new employment opportunities. Furthermore, it is unlikely that many PAPI SMEs would have premises / operations outside of the LCR region, so the opportunity for projects to be carried out elsewhere would be limited (i.e., the grant didn't displace the investment from some other place to LCR); and,
- substitution is not expected to be an issue given the value of the grant (i.e., the value of the grant is not significant enough to warrant incurring the costs associated with replacing an existing employee with an unemployed person and subsequent training costs).

Table 5.3 provides a summary of the net employment impacts estimated as of March 2023 and the forecasted impacts for the programme (up to the end of June 2023).

Table 5.3: Net Programme Impacts

	Adjustments	Actual (March 23)	Forecast (June 23)
A	Gross jobs created	194.16	242.16
B	(A) less deadweight @ 60%	77.66	96.86
C	(B) less displacement @ 5% and substitution @ 0%	73.78	92.02
D	(C) less leakage @ 0%	73.78	92.02
E	(D) * multiplier effect @ 1.50	110.67	138.03

The 110.67 net jobs (as of March 2023) will generate an additional £5,594,429 of annual GVA (based on the average annual GVA per FTE in the LCR Region of £50,550[33]), which equates to £0.96 of GVA per annum

[33] Note: Total GVA for LCR in 2021 (sourced from the Office for National Statistics, ONS) divided by total employment for LCR in 2021 (Business Register and Employment Survey).

for every £1 of invested (total programme cost) and £1.80 of GVA per annum for every £1 of ERDF funding invested. Stakeholders have noted that the programme has delivered relatively small GVA impacts, however, the size of the businesses participating in the PAPI programme limited the scale of these impacts.

The impacts forecasted for the full programme (i.e., 242.16 gross jobs by the end of June 2023), would generate an additional £6,977,477 of annual GVA, which equates to £1.11 of GVA per annum for every £1 of invested (total programme cost) and £2.10 of GVA per annum for every £1 of ERDF funding invested.

5.4 Value for Money

Table 5.4 outlines the unit costs associated with key outputs, based on total programme costs (including private contribution) and ERDF spending. Unit costs may reduce as further job outcomes are claimed in Q2 2023 (subject to costs).

Table 5.4: Unit Costs (March 2023) - based on gross FTEs

Measure	Type of Cost	Target[34]	Actual (March 23)	Forecast (June 23)
Cost per job created (gross FTEs)	Total	£39,381	£30,100	£25,910
	ERDF	£19,691	£15,973	£13,695
	Grant Only	£11,952	£10,075	£8,078
Cost per business assist	Total	£39,611	£38,961	£39,462
	ERDF	£19,806	£20,675	£20,858
	Grant Only		£13,041	£12,302

Source: PAPI Monitoring Data (March 2023)

In addition to the measures identified above, an assessment of the cost of workshops has been undertaken by UoY. This identified an average cost per workshop of £60,195 and a total cost of workshop delivery of £240,778. This results in an average cost per workshop attendee (i.e., enterprises receiving non-financial support) of £4,721.

[34] based on budget and target outputs for PAPI

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

Chapter six provides an overview of the key findings from the evaluation and seeks to address the key lines of enquiry as stated in Table 1.1. Recommendations are also detailed below.

6.2 Conclusions

6.2.1 Rationale and Relevance

The rationale for the scheme remains strong, based on the prevailing economic and policy context of the region. Gaps in funding opportunities (in particular in relation to lower funding levels), limited understanding of innovation and limited connections with HEIs were noted as key rationale for the programme. Whilst there is evidence that this programme has been effective in addressing those market failures for the businesses that participated, it is likely that the market failures continue to exist across the region, suggesting that there is an ongoing need for a programme such as PAPI in the market.

This evaluation has found that the PAPI programme is well-aligned with relevant national and regional policy, including the (legacy) UK Industrial Strategy and the UK R&D Roadmap 2020. The scheme also aligns well with a raft of local and regional strategies. This reflects the programme's complementarity with the wider policy landscape beyond the focus of innovation, and highlights that the programme has remained relevant through its lifetime despite significant external challenges shifting the policy landscape (e.g., the impact of Covid and strategies relating to the recovery of local and regional economies).

PAPI is also well positioned through **providing a unique offer in the LCR area** due to providing grant assistance specifically targeted at innovation and innovation / business planning support, which indicates that future similar support programmes targeting innovation would complement policy / existing provision.

6.2.2 Design

The overall **programme design was deemed to be appropriate** by stakeholders and **fit for purpose**, with several stakeholders commenting that the design and approach of the programme meant that it was able to cater to the needs of business beneficiaries, with no gaps identified in the support offer.

The size of the grant support available and the advisory services were highlighted as some of the key strengths of the support offer. The innovation advice support has reduced SME barriers to engagement as high quality application assistance has served to raise beneficiary capacity and ensure the additionality of investment.

PAPI's workshop offer is an important vehicle for showcasing the University's wider commercial offer and allows the programme to be responsive to emerging business needs (such as the impacts of Covid-19) which is essential for supporting regional SME resilience.

These findings highlight the success of the programme's design, and the high regard in which it is viewed by stakeholders and beneficiaries. This is further evidenced in the successful adoption of the programme to the LCR area from the initial YNYER programme with minimal change required in its design / approach. As such, the model developed for PAPI should be considered for the delivery of future similar provision.

6.2.3 Performance

Programme uptake has been healthy, with referrals into the programme coming from a variety of sources. The programme is **currently on course to achieve / exceed four of its eight output targets**, with a further three indicators projected to achieve at least 90% of the target. Strong areas of performance include enterprises receiving non-financial support (104% of the profiled target), employment increase in supported enterprises (113% of the profiled target), and enterprises supported to introduce new to the market products (138% of the profiled target). The programme is currently behind profile on private investment matching public support to enterprises (84%) and enterprises supported to introduce new to the firm products (84%), however, it is expected that this target will be exceeded.

The programme can be deemed to be successful, however, it was identified that some of PAPI's key successes were hidden within the output indicators. Specifically, in relation to new to the market products and new to the firm products, as the output indicators only record one product per business, the success of beneficiaries in creating products is underrepresented:

- new to market products: reported as 40 outputs, however, the total number of new to market products launched is **44** and this is expected to increase further to **66**; and
- new to firm products: reported as 84 outputs, however, the total number of new to firm products launched is **101** and this is expected to increase to **136**.

This would suggest that there was scope to further improve the monitoring framework associated with projects funded through this Priority Axis and should be considered as an area of learning for the design of similar funds in the future. Furthermore, there is a lag associated with some outputs (e.g., the creation of employment opportunities), which suggests that the forecasted outputs for PAPI may be conservative estimates of the programme's performance.

Expenditure defrayal sits at **91% of the programme's budget** (to March 2023), following a reprofiling of the programme expenditure. Given the successful performance of the programme, this implies that the PAPI team achieved a higher level of efficiency than initially anticipated (refer to section 6.2.5 for further details).

6.2.4 The Delivery Model

PAPI's product offer has been effectively delivered using both in-person and remote models. Consultees identified the following as facilitating high quality and efficient delivery:

- a strong referral based which have been strengthened through the programme team's commitment to building lasting relationships with stakeholders;
- clear project eligibility criteria and beneficiary journey; and
- a flexible approach to Innovation Workshop content to ensure relevancy and value for each cohort.

The grant application process had mixed views from stakeholders, some commenting it was a straightforward process, others reporting issues in criteria or monitoring requirements. All grant beneficiaries consulted agreed that the application assistance provided by IAs was of high quality and, in many instances, served to simplify and accelerate the application process.

These points underline the importance of an effective programme delivery team that can drive engagement through clear and meaningful communication with stakeholders, beneficiaries and delivery partners. In this regard, PAPI staff were highlighted and complemented by programme stakeholders and beneficiaries. The clarity of communication was well regarded by beneficiaries, highlighted in the survey results, as 100% of respondents were happy with the level of information provided. High proportions of respondents also indicated satisfaction with 'time commitment', 'the claim process'; and 'information provided in relation to the monitoring process'.

The workshops have been well received by attendees, with individual aspects of the workshops (such as course organisation, delivery model and networking opportunities) largely receiving scores of very good and excellent in feedback forms collected by delivery staff. Areas of improvement suggested by stakeholders regarding the workshops included reducing the volume of content, creating an easily accessible resource repository, and increasing networking opportunities.

6.2.5 SME Outcomes and Impacts

The evaluation has examined the level of evidence in relation to the outcomes and impacts identified in the programme logic model (as per Figure 1.1). Evidence of outcomes has been identified, suggesting that the revised logic model is accurate, however, it should be noted that evidence of longer-term impacts relating to the number of SMEs that are innovation active is limited at this stage.

Outcomes realised include:

- increased company growth, employment and sales, wherein 91% of businesses (n=30) from the survey reported they had increased employment due to the programme, with **194.16 gross FTE jobs created by programme beneficiaries to date**, and 82% of respondents (n=27) have reported increased turnover as a result of the programme, the largest proportion of which have increased turnover by 5-10%;
- improved understanding of the process of innovation, as evidenced by the 40 enterprises that have been supported to introduce new to the market products and the 84 enterprises that have been supported to introduce new to the firm products;
- increased level of innovation investment by companies, whereby a total of £2.7 million of private investment has been secured through the programme;
- stakeholder consultation has identified examples of increased and ongoing interaction between SMEs and R&D providers, and improved engagement between UoY and regional SMEs.
- promoting an innovative mindset, whereby 55% of survey respondents (n=18) stated that there has been an increased focus on innovation in their company to a large extent, with a further 45% (n=15) stating that there has been an increased focus on innovation to some extent;
- increase in SME competitiveness as 93% of respondents (n=31) had improved their position against competitors to at least some extent, with 48% (n=16) stating that this had improved to a large extent Beneficiaries of the grants commented on their suitability to address needs such as upgrading machinery, technology and processes to enable them to attract new and larger customer bases; and
- additional outcomes include improved senior leadership capabilities and enhanced product design, as well as increased production and extended business networks.

In relation to employment and GVA:

- as noted above, 194.16 gross jobs have been created to date. Based on the current expenditure on grant funding, this results in an average ERDF cost per gross job created of £15,973 and an average SME grant cost of £10,075 per gross job created; and
- 110.67 net FTE jobs have been created to date which will generate an additional £5,594,429 of GVA per annum (based on the average GVA per annum per FTE in LCR of £50,550). This equates to £1.80 of GVA per annum for every £1 of ERDF funding invested. The annual GVA impact is expected to increase to £6,977,477 (based on a forecast of 242.16 gross jobs).

The GVA and employment impacts demonstrate that the programme has achieved Value for Money, delivering jobs for a lower unit cost than the programme targets. It was identified above that the programme expenditure is 9% lower than anticipated at this stage, and with an identified lag in outcomes / impacts, we can expect the VfM to improve in the coming months.

Based on the evidence gathered through the evaluation, it can be concluded that the programme has been broadly successful in achieving the range of outcomes and impacts within the PAPI logic model. This validates the model for this programme and provides key learning for the design and development of future programmes. There was limited evidence of unexpected outcomes and impacts, however, this may be as a result of the lag associated between projects being completed and the benefits becoming tangible / observable.

6.2.6 Contribution to Horizontal Principles

Overall, PAPI was deemed by stakeholders to be appropriately targeted and is investing in projects with a strong innovation focus. The programme has embedded the ESIF horizontal principles into delivery by ensuring that all applicants, regardless of gender, have equal access to grants and / or workshop support.

Sustainable Development
PAPI has focused on supporting SMEs to develop new products and processes to act as a driver for economic development. Many of these SMEs have been supported to develop innovative new products that contribute to a low carbon economy, are environmentally sustainable and make a positive contribution to the climate change agenda. For example, PAPI have supported businesses that have created a concrete building block that replaces aggregates with low grade spent plastics and a natural hair dye which uses spent Ribena blackcurrants.

Equal Opportunities and Non-Discrimination
The University's Equality, Diversity and Inclusion policies have informed the programme’s policies and procedures.

For the PAPI delivery team: the recruitment process was open to all and encouraged applications from females by offering a family friendly policy with the opportunity for part-time working or job-share where possible. The University's Equality and Diversity in Employment policy ensures that all suitable support measures are implemented for parental leave by the reallocation of duties and support actions for staff concerned. Group meetings and other events have been arranged at times that cause minimum disruption for those with young families.

For the beneficiaries: PAPI has monitored the ethnicity, gender split and disability of applicants through the Expression of Interest form and tailored marketing and events where required. The number of jobs taken up by females has also been monitored through new jobs created. The business engagement team attended specific networks set up for females working in business including 'Forward Ladies', 'Women in Business Network', 'Yorkshire Ladies Links' and 'Bird Board' (who have dedicated groups in Leeds, York, Bradford, Harrogate, Huddersfield, Skipton, Wakefield and Wetherby).

At the formative evaluation stage, it was highlighted that greater focus should be given to monitoring data in relation to female-owned or led businesses and recommended to target this group to bring about uplift in numbers. In March 2020, PAPI delivered an innovation event to coincide with International Women's Day that specifically targeted female-owned or led businesses with c. 90 attendees. In 2019, 5.7% of the Expressions of Interest (EOIs) received that year were from female-led businesses, however, this increased to 11.9% of EOIs in 2022.

Furthermore, in response to this recommendation, PAPI have been monitoring and reporting this data to the PMG.

Where disability or other related factors have acted as an impediment to a member of staff participating effectively in the programme, PAPI has worked closely with the beneficiary company or staff member to devise practical and pragmatic ways of addressing the challenge and ensure that the individual concerned is able to make a positive and effective contribution to product and process innovation within the business. All social media activity has been designed to be fully inclusive including for example the PAPI website working with screen readers.

6.3 Recommendations

Overall, stakeholders and beneficiaries expressed high satisfaction with PAPI and did not identify any significant areas for improvement. The recommendations identified below were developed at the formative stage, however, these remain relevant as points of learning for informing the development of future similar provision.

- future similar provision should maintain a focus on innovation-led support, including through the provision of adequate funding for the sector, as this will be a strategic driver and enabler in supporting innovation / R&D activity and could build on the success of the PAPI programme;
- female-owned and led SMEs should continue to be targeted with specific programme monitoring to capture progress (as implemented by the PAPI programme). This will promote equality and inclusivity;
- following the PAPI's success in recruiting businesses that were actively seeking to innovate and invest in projects, it suggests that similar direct marketing strategies should be utilised by future similar programmes to ensure that businesses are engaged who are actively looking for innovation support, as well as SMEs who need more encouragement to undertake investment in innovation / R&D;
- the delivery model that PAPI employed (i.e., with a focus on strong account management and a people-focussed approach) should be considered as a robust approach to delivery of similar schemes;
- a continued hybrid approach in the delivery of workshops and meetings was identified as a method of delivery that appealed to a larger number of businesses and stakeholders, while also offering face-to-

face sessions where appropriate. This warrants further consideration in the design of similar future provision;

- suggested areas of improvement for the workshop component of the PAPI programme included reducing the volume of content, creating an easily accessible resource repository, and increasing networking opportunities. These factors should be considered as part of the design of similar future programmes;
- grant application forms should be simplified / streamlined where possible to reduce administrative burden on SMEs and to reduce barriers to entry of projects. However, it is noted that this is an area that UoY were proactive in, reviewing grant application forms following the interim evaluation with input from the appraisal panel members; and
- a requirement was added by DLUHC mid-way through the programme in relation to the monitoring of safeguarding jobs and productivity, despite these not forming part of the programme's aims or contractual targets. It is recommended that programme management bodies such as DLUHC establish all monitoring and evaluation requirements at the outset of the programme to ensure that processes are implemented for the effective capture of data. Programme delivery partners should seek to design monitoring frameworks that can be more flexible to adapt to changes where required.

APPENDIX 1: PAPI DELIVERY MODEL

Capital Grant Delivery

SMEs provide an initial overview of their company and growth plans which are reviewed by an IA. Businesses are invited to submit an EOI which is reviewed by UoY's IAs and administrative team for eligibility and compliance with the fund objectives, which may include a telephone call between the IA and SME to discuss the proposal in more detail. Other details checked at this stage include state aid compliance, financial standing, sector focus and the availability of match funding. If an EOI is not progressed at this stage, the SME receives an email setting out the reasons for this.

Once accepted, the SME is provided with a full application form and guidance notes for completion. An IA guides the SME through the application process, which includes a site visit, during which deadlines and expectations are discussed. SMEs are encouraged to forward draft versions of funding applications to their IA for assessment before final versions are presented to the Appraisal Panel.

Completed applications are forwarded to the Appraisal Panel members with a summary sheet and relevant background information. Panel members submit their comments and scores on each application which are reviewed by the Programme Manager. If the project scores an average of +60% it is approved, if it scores below 50% it is rejected. Any score between 50-59%, or where there are contradictory scores, is reviewed by panel members during a teleconference to determine if it is approved.

Companies that are successful in their funding application are provided with a draft contract alongside the Panel's decision notice. The UoY prepares a Request for Quotation (RfQ) for the equipment / software required by the project in collaboration with the SME and advertise the product / service requirements. Following the procurement stage, SMEs have to provide evidence that the equipment has been purchased and thereafter, monitor and report the benefits that they have derived from the investment.

Innovation Workshop Delivery

Innovation Workshops provide senior managers with an introduction to innovation and its potential role in the business growth cycle. Workshops can be accessed independently of the grant process and provide an opportunity to raise awareness of innovation and the role it can play in facilitating business growth.

SMEs that meet project eligibility criteria[35] are invited to submit an application form which collects basic company details and an explanation as to how workshop attendance will help the SME innovate. As part of the application process, businesses are required to detail any state aid received in the last three fiscal years to ensure that they do not exceed the applicable GBER limits.

The application form is assessed by the Project Development Manager to ensure SME eligibility and suitability. A Programme Manager will countersign approved applications. Eligible applicants are then sent a short diagnostic tool which is used to gather additional information about the SME and understand their innovation readiness. This information is used to shape workshop content to ensure that delivered sessions are relevant to attendees.

Innovation Workshops are delivered across two phases. The first phase centres on providing an overviewing of the benefits of engaging in innovation, the stages of innovation and financial support available for R&D activities. Since May 2020, the second phase of the workshop has been delivered in sections across the

[35] Pre-start SMEs that have not begun trading can access Innovation Workshops if they show sufficient innovation potential.

course of a week (as opposed to one day as when face-to-face delivery was permitted), composed of a series of sessions from industry experts and representatives from other areas of the UoY's commercial offer (i.e., KTP, CPD). At the end of the process, each participant received a facilitator-approved Innovation Plan to help SMEs realise innovation activities.

Workshop attendees sign to confirm their attendance at each day of the workshop. Businesses will also sign to verify the total duration of support accessed (including any pre- and post-support provided by the facilitator) which will be officially documented by the EDT and returned to SMEs for recording the total value of state aid received.

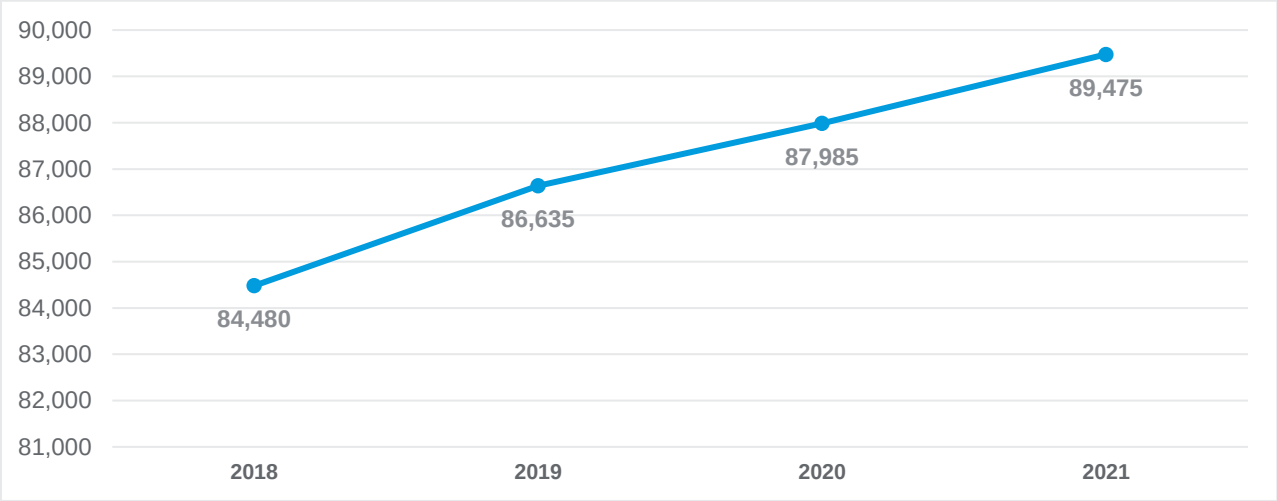
APPENDIX 2 : LCR BUSINESS PROFILE

The following overview of the LCR business base is provided in order to assess the economic rationale for delivering PAPI in the region and explore trends in sectoral take-up. It should be noted that PAPI delivery began in the LCR in 2019, therefore the data presented in this appendix is for understanding operating context only.

Business Demography

The number of active enterprises in the LCR is increasing as shown in Figure A2.1, the number of active enterprises in the LCR has risen from 84,480 in 2018 to 89,475 in 2021. Stakeholders note the importance of having a range of competitive business support interventions in attracting and retaining businesses in the area.

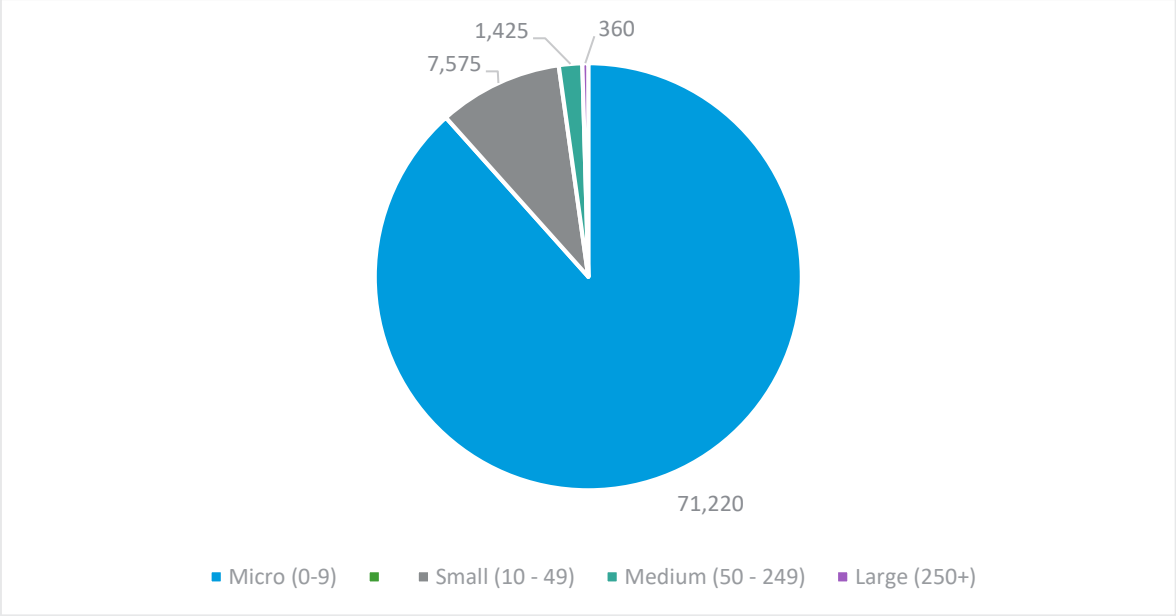
Figure A2.1: Number of Active Enterprises in Leeds City Region



Source: ONS, Business Demography (2021)

A significant number of businesses with the LCR are micro in size: following national trends, the majority of enterprises (71,220) within the LCR are micro (0-9) in size which equates to 88% of the business base (Figure A2.2).

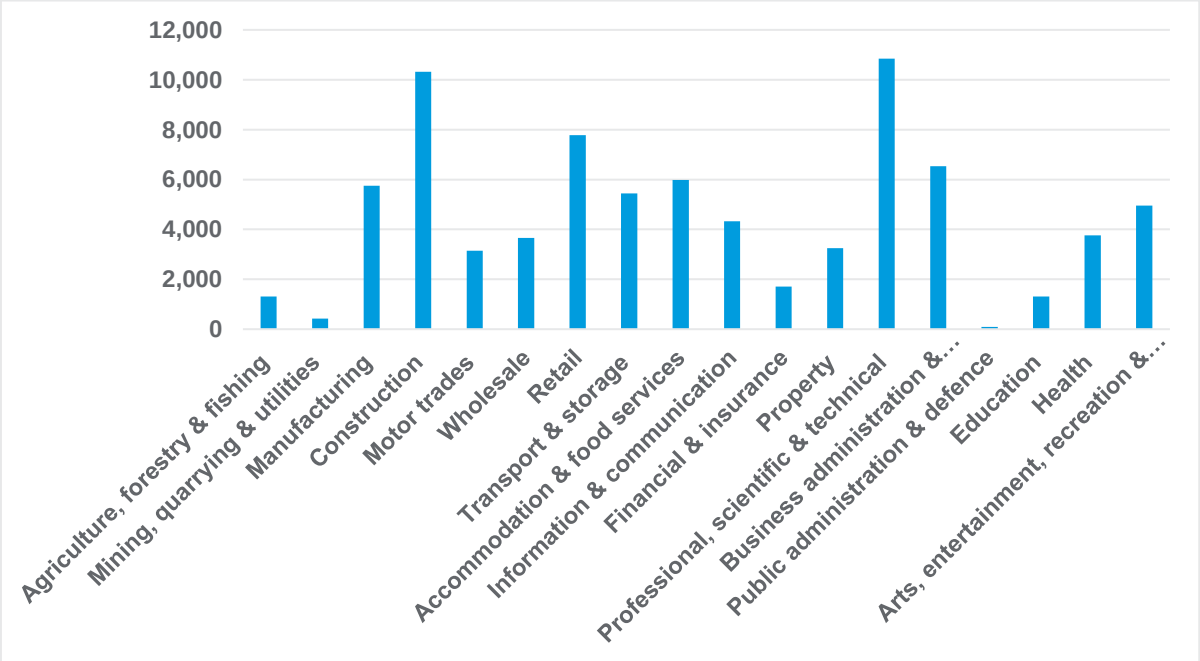
Figure A2.2: Enterprises by Size Band



Source: ONS, Inter Departmental Business Register (2021)

Professional, Scientific and Technical, Construction and Retail industries, are prevalent in the LCR: as shown in Figure A2.3 Professional, scientific & technical (10,840), Construction (10,325) and Retail (7,780) well represented in the region.

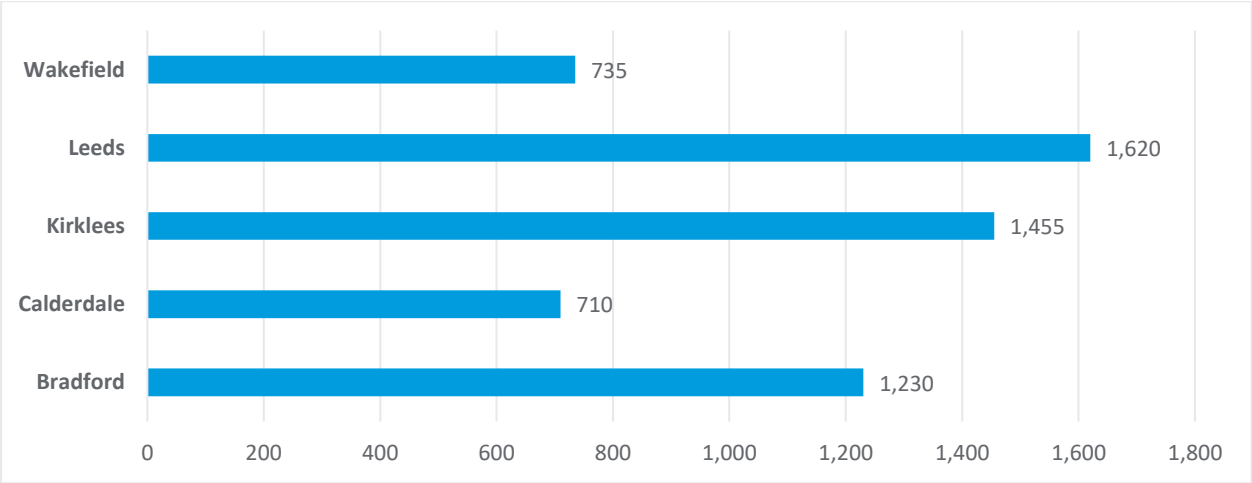
Figure A2.3: Enterprises by Broad Industry Group



Source: ONS, Business Workbook (2022)

Leeds, Kirklees and Bradford are strong bases for manufacturing SMES: Figure A2.4 shows the number of active manufacturing enterprises in each district within the LCR geography. Leeds, Kirklees and Bradford are manufacturing hubs, which may explain in part the substantial number of manufacturing businesses engaged in PAPI, as the number of referrals from these districts are high.

Figure A2.4: Number of Manufacturing Enterprises by District



Source: ONS, Business Counts (2023)

APPENDIX 3: PRODUCTIVITY

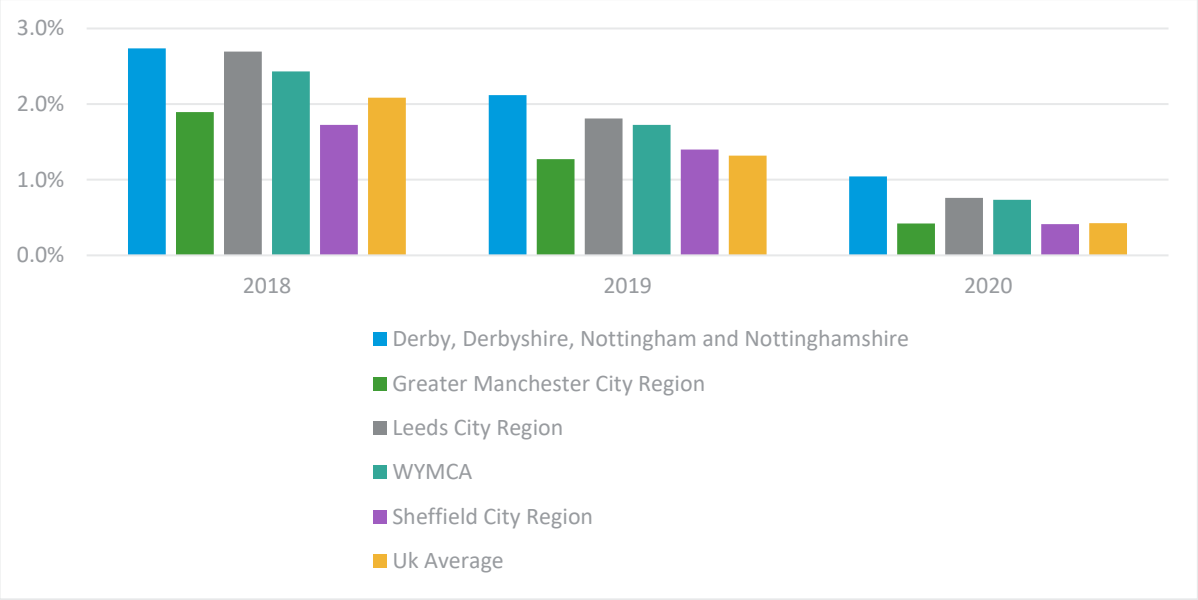
Productivity

The latest GVA per head data available displayed in Figure A3.1 below shows a GVA per head of £24,467 in West Yorkshire. This is below the national average and that of Greater Manchester, but higher than both Derbyshire and Nottinghamshire and West Midlands.

Figure A3.1: GVA per head (2018-20)

From 2018 to 2020, Leeds City Region experienced a 5.4% increase in GVA per job, showing a steady rise in productivity. Despite this, LCR experienced slower growth in 2020 at 0.8% which may be partly attributable to the beginning of the Covid-19 pandemic. Figure A3.2 below compares yearly percentage change in GVA per filled job and illustrates that in 2020, increased more in LCR than the UK average and all comparator regions apart from Derbyshire and Nottinghamshire.

Figure A3.2: % Change in GVA per Filled Job by LEP (£)



Source: ONS (2023)

APPENDIX 4: LCR BUSINESS SUPPORT INFRASTRUCTURE

Table A4.1 provides an overview of the publicly funded financial and advisory interventions available to businesses operating in the Leeds City Region.

Table A4.1: Overview of LCR Business Support Interventions

Intervention	Grant	Advisory Support	Workshops[36]	Innovation Focus	Description	Differentiation from PAPI
Access Innovation	✓	✓	✓	✓	Culminating in March 2020, Access Innovation was an ERDF-funded package of support available to LCR-based SMEs to develop new products and processes. Up to 50% funding (up to £100,000) was available for business to access specialist expertise of facilities, 20% funding (maximum £20,000) was available to purchase eligible equipment and specialist advice. Workshops based on generic business support matters and innovation-specific issues were held routinely throughout programme delivery.	• Primary activity was to assist SMEs with the purchase of specialist expertise and support through research organisations rather than capital
Innovate UK EDGE		✓	✓	✓	This Business diagnostic support supports innovation driven businesses through growth specialists to understand the SMEs market and how they can grow and scale. It also provides businesses with a range of financial support available to them.	• Unlike PAPI, the support does not offer small-scale grant support; rather it helps SMEs become aware of financial support available.
Connecting Innovation	✓	✓	✓	✓	The successor of West Yorkshire Combined Authority (WYCA) Access Innovation, Connecting Innovation is an ERDF-funded programme launched in April 2020 to help businesses navigate the region's innovation support offers. The programme will focus more on inspiring SMEs that have a lower propensity to engage and supporting them through	• Strategic focus is on brokerage and advisory support rather than financial support • Development of a new product or process is not a requirement for funding

[36] Workshops are marked as part of an interventions offer where stated in publicly available information.

Intervention	Grant	Advisory Support	Workshops[36]	Innovation Focus	Description	Differentiation from PAPI
					the complex eco-system of innovation support. There are three core components of the Connecting Innovation programme: • innovation brokerage/support • innovation vouchers which will incentivise SMEs to work collaborating with HEIs on R&D projects; and, • targeted innovation fund which will help more established SMEs action disruptive innovation projects that will deliver significant impact.	• Open to pre-start up SMEs • Can support SMEs which are not innovation ready
Innovate2Succeed		✓	✓	✓	Innovate2Succeed is an innovation management support programme designed to help SMEs identify innovation challenges, opportunities and growth areas within the business. Revenue support is delivered over 7 days of bespoke coaching and access to modules covering content such as strategic management, accessing international markets, innovation culture, protecting and exploiting ideas and innovation in selling, digital marketing and export capability.	• No grant offer
Business Growth Programme	✓				Grants of between £10,000 and £250,000 for businesses operating in, or looking to relocate to, the LCR. Funding is available for investment in fit-out and refurbishment of buildings, plant, machinery and equipment, that are creating permanent jobs in the region. To be eligible for the grant, businesses must be: established for at least 12 months out of commercial premises; operate in the City Region's growth sectors and/or their direct supply chains; and, generate the majority of its turnover from trading with other business (or be able to demonstrate how funding will lead to an increase in B2B trading). Funded projects must create one new job for every £7,500 - £12,500 of grant received.	• Large businesses (250+) eligible for support • Generic business support

Intervention	Grant	Advisory Support	Workshops[36]	Innovation Focus	Description	Differentiation from PAPI
Strategic Growth Programme		✓			Delivered by Oxford Innovation Services, the Strategic Growth Programme offers a bespoke support package to help high potential SMEs grow. Available support includes access to the industry leading high Growth digital assessment (GROWTH mapper), the production of a personalised growth plan, one-to-one mentoring from a Strategic Growth Manager and opportunities to receive external coaching.	• No grant offer • Generic business support
Investment Readiness		✓	✓		A package of support aimed at helping SMEs plan their futures and understand financial options and products. Delivered by Winning Pitch, eligible SMEs (a turnover of under £45m/balance sheet under £40m, LCR based, typically in a B2B sector) have access to one-to-one mentoring support and a range of workshops covering a range of key themes related to finance.	• No grant offer • Generic business support
#Grow	✓				A fund for LCR businesses that operate within the digital and tech sector who are looking to grow their business. A funding contribution of between £10,000 - £50,000 is available to businesses who have been established for at least 12 months, have an eligible capital project with a minimum total cost of £20,000 and generators over 50% of turnover from trading with other businesses.	• Sector specific intervention • Generic business support
Manufacturing Growth Programme	✓	✓			Delivered by Economic Growth Solutions, the Manufacturing Growth Programme is open to LCR-based SME manufactures with a turnover of under €50 million who are able to demonstrate an intention to grow or improve (which could be through the introduction of a new product, service or process. Eligible businesses can access ongoing support from an experienced Manufacturing Growth Manager and a 33.4% grant contribution (ERDF Funded) up to	• Sector specific intervention • Higher grant intervention rate • Smaller size of grant available

Intervention	Grant	Advisory Support	Workshops[36]	Innovation Focus	Description	Differentiation from PAPI
					a maximum project value of £10,000. The provision of capital grants is available in exceptional circumstances.	
Leeds City Region Supply Chain Programme	✓	✓			A business support programme which aims to support the growth of manufacturing SMEs and SMEs operating in the wider supply chains of the LCR manufacturing sector. Interventions available includes a strategic review of current operations in order to develop a three-year action plan with the potential of grant assistance of up to £5,000 to help implement a project.	• Sector specific intervention • Smaller size of grant available

APPENDIX 5: IMPACT CASE STUDIES

This appendix presents case studies of SME beneficiaries. Six of the case studies are focussed on beneficiaries that were consulted at the formative stage (i.e., revisited formative assessment case studies), with five case studies focussing on beneficiaries that were not previously consulted (i.e., summative assessment case studies).

Summative Assessment Case Studies

Introduction

This case study relates to a start-up business developing an app and an accompanying service which aims to support people with care needs to stay in their homes permanently or to stay in their homes for longer before entering the care system. The app and service facilitate this by enabling the person with care needs to create a care network and set 'check points' to verify that they are doing well. The business approached PAPI for support in relation to development costs as they had to *"start from scratch"* following the removal of lockdowns implemented during the Covid-19 pandemic due to complications with the previous supplier.

User Experience

The consultee spoke very positively about their experience receiving support from the PAPI programme, noting that the level of informal support and rigour provided by the PAPI programme alongside the grant funding was very useful to their business.

The consultee noted that PAPI provided them with a lot of support in relation to procuring a bespoke software solution for their app after their previous developer had moved abroad.

"We wanted to learn from our mistakes and wanted a group of people who had an established business, not just a person trying finish their PhD /…/ York really helped us to make sure that our process was absolutely on point, that we knew what we were doing and what needed checking - it was really professional."

Furthermore, the consultee spoke positively of the rigour of the application process, stating that whilst it was *"arduous",* they appreciated the level of rigour as it helped them to gain more confidence in what results they needed out of this investment.

Impact

The investment had a twofold impact on the business as, firstly, it supported the business in finding a supplier that they felt confident would deliver the app and, secondly, gave the business the funding necessary to continue the project. As noted by the consultee, without the grant secured through PAPI, they would have had no ability to finance the re-development of the app, meaning that the project would not have continued without the intervention from PAPI.

The consultee noted that the investment from PAPI has not necessarily accelerated the growth of their business or led to a direct increase in employment, although they noted that the business will be looking to hire someone once the app is launched. However, it was noted that the PAPI grant has allowed the business to safeguard the jobs that previously existed.

Suggestions

Overall, the consultee noted that they were very pleased with the support offered and provided no suggestions for improvement.

Introduction

This case study relates to a small specialty coffee roastery which operates in the business-to-business sector and, in particular, supplying hospitality firms, and only sells a small portion of its stock direct to consumers. The business recently had the opportunity to pitch a new product range to one of their main clients but needed to buy two new pieces of machinery (for packaging and labelling) to meet client requirements. They reached out to PAPI for a grant to enable them to procure this equipment.

User Experience

The consultee's highlighted that PAPI provided a good level of support, however, they stated that the application process was "*too involved*" in comparison to the value of the grant. Despite this, the consultee noted that they would have still applied for funding through PAPI if they had known of the application requirements in advance, but noted that they would have liked to do so with their *"eyes wide open."*

The consultee was complementary of the support received throughout the application process, highlighting that their innovation advisor guided them in shaping / developing the application and answered any questions that they had during the process. The business praised the human angle of the support, stating that it felt as though they *"were dealing with people rather than a process."*

However, the consultee also stated that this level of support was necessary considering the complexity of the application and suggested that a better solution would have been to streamline the application process.

"It is great that the assistance was there, but it was necessary because they had made the process so confusing. If the process had been more straightforward, that support would not have been required."

Impact

As a result of the grant, the business was able to successfully procure the equipment required and thereby manufacture the product range requested by the client. This enabled the business to diversify and create a stronger footing in the retail market.

"[Grant schemes] are becoming increasingly significant, so it is giving the ability to improve out offer and in turn that secures sales, customer engagement and sales opportunities into the future will increase."

Diversifying their business had become a stronger motivation following the Covid-19 pandemic.

"Covid made us realise we needed to diversify our customer base."

The consultee noted that whilst some of the equipment would have been bought irrespective of the grant, the PAPI grant enabled the business to procure both pieces of equipment earlier / at the same time. The consultee stated that without the grant support, the equipment would have been purchased on a delayed timeframe as the company would have struggled to afford the investment.

"there is only so much you can take in debt with all your cash tied up in [stock]."

Introduction

This case study centres on a company in the commercial printing and marketing sectors which specialises in designing and manufacturing bespoke marketing and packaging solutions for food and drink products. The business reached out to PAPI for financial support to procure two pieces of machinery as they had changed their business strategy from supplying the hospitality sector to supplying the food and drink sector in the wake of the pandemic. The consultee noted that they only accessed the grant potion of the programme as they were already receiving advisory services from their LEP when applying.

User Experience

The consultee highlighted that the monitoring requirements and application process for the grant were significant and noted that this was both a positive and negative for the programme.

On the positive side, the consultee noted that the support they received from the PAPI team in completing the application process was helpful in shaping their business plan for the respective investments in machinery. They perceived the application process to be "*like an audit"* for their project, and that this helped them to explore exactly what they wanted the investment to achieve for their business. The consultee also highlighted that the external support from the PAPI team gave them a second perspective which they found helpful.

"You essentially end up doing a business plan for the project and if there is not somebody there asking you [questions], you do not always end up doing the process properly. It really helps audit the project."

However, the consultee also noted that they perceived the application process and the monitoring requirements to be disproportionately onerous in comparison to the value of funding provided. The consultee highlighted that this was particularly true when comparing the requirements of this programme to those of similar grant schemes run by their local LEP.

"It is very similar to what the Local Economic Partnership offers but they have higher caps on their projects."

The key challenge was perceived to be the amount of time required for the application, as there was challenges in trying to complete the application process alongside the day-to-day running of the business.

Impact

The impact as perceived by the business was that they were able to do more bespoke and innovative work and that they were able to deliver previously outsourced services in-house. This led to three additional employees, enabling the business to increase their turnover (however, they found it challenging to estimate by how much) and it enabled them to significantly innovate their processes within the business. To the latter point, the consultee noted that the new machinery affects *"roughly 30% of what [they] do",* thereby leading to significant changes and innovations in the processes of the company.

In addition, the consultee noted that the PAPI grant sufficiently de-risked the investment for the business to be able to take the next step forward in the growth of their business. When prompted, the consultee stressed the importance of capital grant schemes for businesses like theirs, as having the latest equipment is often a pre-requisite to the effective operation of the business but is often unaffordable due to the costs involved. As the consultee expressed when prompted about what would have happened without the support:

"We might have made the decision not to invest and then the company could have struggled post-Covid with not being able to offer what customers wanted, or we could have invested and then not got [the project] off the ground as fast as expected. Either way it could have had a severe financial impact on the business".

Introduction

This manufacturer of educational equipment for engineering students between the ages of 16-19 years initially reached out to PAPI because they were building a new onsite metal shop to bring more of their activities in-house and needed help with financing the new machinery in the workshop. The business exclusively interacted with the grant aspect of the programme and did not access the workshop support.

User Experience

Overall, the consultee noted that their experience of the project was very positive and that they found the application process, monitoring requirements and claims processes comparable to that of other grants they had previously received. They also noted that the process was completed swiftly and with an appropriate level of communication between each step.

"The whole thing was very easy and not onerous; it took about three months start to finish, maybe less."

However, the consultee did note that while they perceived the PAPI project to be run very well, they also perceived it to be a separate entity from the University of York. While they noted that it was *"somehow run by the University"* they did state that the exact nature of the link was unclear to them and that it had not helped establish links between the university and the business that extend beyond the PAPI programme.

Impact

The impact of the investment was significant as is helped them to grow their business as the manufacturing of key prototypes was faster and to a higher level of quality. Whilst the consultee noted that it is difficult to assign exact figures to one grant / one piece of machinery, they stated that purchasing the equipment has led to more rapid

growth for the business, more employees, better access to new markets and to better internal capabilities for innovation activities.

"It [the grant] was reasonably significant, it is a great piece of kit, and it has given us a fantastic capability so that we can now make an awful lot more than we could before /../ our prototype time is vastly shorter now than it was before, and we are definitely better at developing new products."

Furthermore, the consultee also noted that the investment would not have been possible without the support from the PAPI programme.

Suggestions

Overall, the consultee was very pleased with the support received and offered no suggestions or points of improvement.

Introduction

This case study centres on a developer of bio-medical equipment used for therapeutic purposes that was sought grant support from the PAPI programme to enable them to purchase a key piece of machinery needed to reach the next stage in the development of a new product, and by extension to improve their internal capacities for developing new products.

User Experience

The consultee noted that a positive experience of working with the PAPI team, highlighting that while the application, procurement process, and monitoring processes were onerous, they were proportional to value of support offered.

Furthermore, the consultee noted that they were very well supported throughout the programme, and highlighted the support that they received for managing each of the elements listed above. This level of support was highlighted as a key take away for learning for future programmes, with the extensive support given throughout the application process being identified as the most important element of this support.

The consultee noted that they perceived the turnaround time for the application to be quite fast, especially in comparison to comparable programmes that they had applied for in the past. More specifically, the consultee highlighted the turnaround in receiving an outcome from the application: *"It did not take long, maybe three to four weeks", whereas* for other programmes they are *"used to waiting months".*

Impact

The grant funding has allowed the company to procure the equipment needed, which has enabled the business to progress the project without "*having to make too many cuts on other projects*". It also helped to establish the validity of the project which helped the business to justify the expenditure to their equity partners, unlocking the matched funds necessary for the machinery.

The consultee also noted that the investment led the business to have an improved capacity for innovation activities and increased the number of employees by two.

The consultee stated that without the PAPI grant funding, they would have run into issues financing the product and also keeping their business competitive. In the absence of funding, the consultee noted that they would have had to withdraw funding from other product lines, hampering their growth.

"without the investment from PAPI, we would have to finance the equipment on our own, but that would have left us with less money to spend on the other developments".

There was also a risk highlighted that the business's equity partners would have viewed the inability to get funding as a sign to focus on the other projects, therefore, not giving them the funding for the machinery effectively ending the project.

"generating evidence to convince the investors to fund the project would have taken longer and ultimately they might have said no".

Suggestions

The consultee was overall satisfied with the level of support offered and made no suggestions for improvement but noted that the level of support offer throughout the project and especially in relation to the application is something that should feed forward to future programmes (as noted above).

Revisited Formative Assessment Case Studies

Introduction

This SME manufactured a small diesel-run percussion drilling rig, which cannot be used for site investigation jobs inside premises where diesel engine fumes are prohibited. A battery powered drilling rig, therefore, presented a market opportunity to provide a solution which meets high environmental requirements and reduces the carbon emissions involved in site investigation activities. The company sought a £20,000 grant to purchase a collaborative welding robot and a battery powered electric motor, control system and lithium-ion battery as part of a larger project to construct a protype battery driven percussion rig to demonstrate capabilities and benefits. The SME anticipated creating one FTE (a skilled machine operator/supervisor) and one new to market and new to firm product.

User Experience

Overall, the consultee had a positive delivery experience. The employee who applied for the original PAPI grant had left the company; therefore, without the experience in applying and managing ERDF-funded grants, the consultee labelled their perspective of the programme as "*too time intensive for a company without the experience of ERDF funding*". The consultee also commented that they didn't access the support offered as part of engagement with PAPI, but rather viewed the support as financial assistance more than anything else. The beneficiary commented when asked if their involvement improved their knowledge of how the university can support businesses:

"No not really, we just sent the application off, received the money and now just have to do monitoring reports."

Impact

The beneficiary suffered a loss in turnover due to Covid-19 supressing demand and subsequent inflationary pressures caused from energy prices rocketing. The consultee mentioned they needed to reduce staff but require modern equipment to automate their services to drive costs down. The consultee commented that despite losing one FTE, they are not looking to re-hire the position given the costs the business is facing. However, the beneficiary commented on the positive impact of their experience:

"We would not have been able to build our prototype without the PAPI financial support. We were able to procure machinery that is now helping us build other things."

The PAPI support has allowed the business to build their protype battery driven percussion rig, however the product is not market ready, but already experienced rejections from possible buyers, commenting "*businesses had interest in buying it but once they heard the cost and weight they were discouraged*." Whilst product and job outcomes are yet to materialise, the welding robot purchased with the PAPI grant has been used to automate elements of the businesses manufacturing processes which has improved productivity and the business is now in a better position against competitors if new no-diesel construction legislation is passed.

The consultee is currently exploring working collaboratively with the university; however, this is dependent on an appropriate project. As of now the beneficiary believes a lot of the university projects are similar and aren't focused enough on developing new products.

Introduction

The company's R&D activities focus on valorising waste from the food industry to create natural cosmetic and personal care products. The business is developing a natural hair dye product which would be launched under a new brand within the business. They sought a PAPI grant to purchase a jacketed reactor, pilot-scale rotary evaporator and a jacketed mixing vessel which will allow for greater extraction (leading to a high-quality product) and for the company to implement flow-processes to minimise the number of batch productions required. It was anticipated that two new jobs and a new to market and firm product range would materialise from the project.

Delivery Experience

On the whole, the consultee had a positive delivery experience but identified a number of challenges in applying for the grant. The length of the EOI and application form made the process time consuming as it took substantial resource to collate required information. Whilst the consultee appreciated the need for PAPI to perform due diligence and have robust checks to ensure investment returns the necessary outputs, the process was *"unnecessarily stressful"* due to the last-minute nature of advisor communication:

"The advisor made insightful suggestions for how our application could be developed and improved. The only criticism I have is that there were at times very short turnaround times for getting information back to them. Whilst on the one hand I can see that that driving force is good for expediating the process but at times it felt quite overwhelming, and I found it difficult to balance leading a micro business and liaising with PAPI."

Impact

The consultee commented the financial support that enabled the company to purchase equipment to manufacture their product in-house. This has added significant value and has enabled the company to sell to new markets. The beneficiary reported the business now has more capacity for innovation activities as they can design, manufacture and modify their product in house, allowing them to be much more proactive to the changing demand of their product.

The business was able to recruit three senior scientists to assist in product development given the increase in demand, partnered with the step change in manufacturing with the new equipment obtained. They envisage hiring a further 2 FTEs when they launch the next range of products.

There have also been reputational benefits from participation in the programme, as they have had customer companies mention their product favourably in conferences, which has given them access to a larger customer base.

"I cannot overstate how important grants like these are to small and micro businesses. Without investment, it would have taken a number of years for us to have scrambled together the necessary money which would have significantly slowed down the growth of the company."

Introduction

Assisted by funding from the UK Research and Innovation (UKRI) and Medical Research Council, the company development a product which enables users to accurately record their dietary intake and access analysis of food and nutrient outputs. The product is currently available over desktop or laptop and is currently used in academic research. The company has identified the healthcare market (both B2B and B2C) as key sector for targeting. To assist entry into the new market, the SME requested an £18,000 grant towards a project to develop an eHealth nutrition monitoring app solution. It was anticipated that this would create two FTE employment opportunities and one new to firm and new to market product.

Delivery Experience

The consultee had a positive experience of grant application and delivery. The consultee praised that PAPI was specifically tailored around supporting innovation, unlike general funding alternatives in the region. The application process was considered appropriate "*but long*"; however, the consultee commended the support they received from their advisor through the application process, reporting; "*It was useful working in multiple iterations on the application and our advisor was steering the process to have maximum success.*"

The consultee also praised the knowledge and level of understanding from their Innovation Advisors; commenting;

"The advisors are genuinely keen and insightful not only about the application process and funding criteria but about wider innovation processes. I've had funding from Ad:Venture and other regional pots and the assistance offered by the Innovation Advisors is what elevates and distinguishes PAPI. They challenged our thinking and helped us identify instances of incremental and step change innovation to support our application."

Impact

The grant investment was deemed to be of significant value by the consultee as it enabled the business to develop a new product (develop two apps, one for Android, one for Apple) for a new market, as the company have been able to broach into the NHS market. The SME hired two more staff to help the company to first develop the product, and then sell to prospective buyers.

The workshop support element was valued by the beneficiary as they were able to develop a roadmap for the development of their product; therefore, through applying for the scheme they were able to acquire the advisory support to assist in product development and obtain the necessary funding to develop the product.

Suggestions

The consultee alluded that *"you can feel as if you fall off a cliff"* when the project ends and the support ends. The consultee reported that they needed more support and recommended introducing subsequent phases of support.

Introduction

The business identified increased demand for sensors that can record moisture in smaller units than the parts per million/volume offered by the current product line. The company completed initial research and development and designed a sensor which can measure up to parts per billion moisture concentrations. They anticipated that the addition of the sensor into existing product range would give the company access to new tender opportunities and would help reaffirm their position as innovate industry leaders. The SME sought a £20,000 grant towards the purchase of a Chilled Mirror Hydrometer. The business expected to create 1 FTE (a Calibration Engineer) and generate one new to firm product as part of the project.

Delivery Experience

The consultee had a positive experience with the programme, stating the helpfulness of the programme team and the straightforward application process as key positives taken from their experience, as well as the clarity of the offer when engaging with the programme team.

"I was reluctant at first because a lot of the time these things take more of your time and effort applying than what they are worth. The advisor was very helpful and showed me how straightforward the process was, so it seemed worthwhile."

The consultee was impressed with the quality of support provided by the Innovation Advisors, stating they had a great experience, and attended on online seminar with the programme team as a result of their engagement. *"The project was so beneficial to us that I was happy to attend a seminar and tell people about my experience."*

The consultee did not consider any part of the grant process and claims to be arduous or burdensome. All information requests were 'reasonable' and were not felt to be outside the planning, due diligence or accounting businesses should perform as part of any significant purchase.

The consultee also thought the communication from the team was effective, as they *"kept us informed at every step, a matter of weeks rather than months"*.

Impact

The consultee praised how impactful the support offer has been to their business as they were able to acquire the necessary equipment to verify and calibrate low levels of moisture, therefore, creating a new product for their business and giving them *"credibility against our competitors"*.

Innovation and job outcomes have materialised as result of PAPI investment. Alongside the Calibration Engineer, the business hired a project manager which is "*paying dividends as they have been heavily involved in the commercialisation of the product and key in reaching new customers and driving sales*".

There were also financial benefits engendered from participation in the programme, as the business experience two consecutive years of record profits, *" not wholly down to the support but definitely a contributing factor".* The business was also able to access new markets and customers and have received a record order from an overseas client.

The consultee also commented that they would be open to future collaboration with the university given the success of their experience, and willing to get involved in funding rounds, training sessions or application workshops.

Suggestions

The only improvement the beneficiary identified was in relation to the promotion of the support offer, as they were "*lucky to stumble upon it*" but they believed many small businesses would avail of support like this if they were aware of it.

Introduction

The SME identified a gap in the market to offer a shredding machine rebuild service. This would be attractive to customers as it would provide an alternative to buying costly new equipment and would require a shorter turnaround time from order to delivery than the purchase of new product. The business anticipates that offering a rebuild service would provide greater return on investment for customers which would help secure continued loyalty to the company. The SME sought a £20,000 PAPI grant towards the purchase the equipment to develop the necessary infrastructure to perform the rebuilds. It was anticipated that this would create three FTEs and deliver one new to firm and market product.

Delivery Experience

The consultee received high quality support from the project team, however, elements of the grant application were challenging and "*required a lot of leg work".* The SME's appointed Innovation Advisor visited their premises three times as part of the EOI and application process which was valued by the consultee:

"*I was really impressed that they were so prepared to come across from York. Our advisor came over a few times which really helped us communicate what we're about and what we're trying to do. Having that face-to-face contact was also really important in building a good relationship with the advisor, it made everything seem more personal."*

The consultee praised the responsiveness of their advisor in providing timely feedback on several iterations of the proposal, without which they were "*unsure it would have been a successful bid… they really helped us to maximise the opportunity."* Whilst the consultee understood the rationale for the procurement process, the requirement to get three quotes created "*difficulty as we have established suppliers we work with so it felt like a very time consuming tick box exercise."* The consultee has recommended the project to other SMEs in their network and would work with the University of York again "*at the drop of a hat".*

Impact

The consultee considered PAPI investment significant as it "*allowed us to grow faster than if we didn't have the support"* and has allowed the business to "*move at speed to offer this new attractive service which is a fantastic addition to our portfolio".* The SME also commented when their interaction with the programme initiated, they were an SME, however now they have been able to consolidate with their Head Office in Austria, and now classify themselves as a larger SME.

The SME has made the four hires since applying for funding and it is "*feasible that more engineers will be recruited as demand grows and that a Sale Manager will be employed to deal with warranties etc".* The beneficiary recruited an engineer apprentice as a result of how effective their service line is. The business has grown from 19 employees when funding was received to 23 employees now, a 21% increase in employees.

Introduction

The company sought £19,600 towards the purchase of a rotational mould tooling, test instruments and mechanical and electrical components. The equipment was to be used to develop an innovative wastewater refrigerated sampler to automatically extract samples from the trade effluent / wastewater discharged from a manufacturing process before the effluent enters the sewer network to test for toxicity. The SME anticipated the development and sale of the Hydrocell Wastewater Refrigerated Sampler would generate 2 FTE jobs and £360,000 revenue three years after launch.

Delivery Experience

The consultee had a mixed experience of project delivery. The company commented on "*communication issues, particularly around the lack of information in terms of the claims process".* In relation to obtaining the grant support, the consultee felt the eligibility checks were "*intrusive and overbearing"*, the application form was challenging due to the level of detail required and difficulty interpreting question requirements, and the procurement process "*overkill".*

The company were initially assigned an Innovation Advisor which they felt "*did not understand what we required, and had an academic attitude towards the application, as opposed to a practical stance".* Corrective action was taken whereby the business was appointed a new advisor which the consultee thought was excellent: "*it was almost like being on a completely different scheme. The new advisor was attentive, provided solutions to challenges and was very supportive in getting us through the process quickly"*.

Impact

The company commended the financial assistance they received as they were able to procure a subcontractor to develop the bespoke intricate aspects of the mould. The consultee applauding the significance of the funding as "*the grant was fundamental to us actually developing our product. We didn't have, or want to have, the skills to develop the mould, so procuring the company was fundamental."*

The consultee commented that they are now more credible and competitive in their sector as they now have a product that many of their competitors already had. Whilst the business was not able to articulate the financial benefit from the investment, the consultee highlighted that they will see increased profits in the future through access to new customers with their product.

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