

Summative Assessment and Evaluation of the part ERDF funded South Yorkshire Digital Innovation Grant

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1 Executive Summary

- 1.1 Every European Regional Development Fund (ERDF) grant funding agreement places a requirement on recipients to undertake a Summative Assessment. Barnsley Metropolitan Borough Council, as the project applicant and Accountable Body, has commissioned this final evaluation and Summative Assessment of the South Yorkshire Digital Innovation Grant programme to:
 - Identify whether the programme will achieve its aims and objectives
 - Obtain feedback from beneficiaries on the processes/quality of support
 - Understand and quantify the likely impacts of the programme
 - Assess the value for money of the programme
 - Learn key lessons from the experiences of the programme
- 1.2 The Digital Innovation Programme offers grants to support businesses to utilise technology-based solutions to improve business performance and productivity. Businesses could secure up to 50% of the investment of a digital project's costs up to a total of £10,000 total project cost (with a maximum grant size of £5,000).
- 1.3 The Digital Innovation Grant Growth Programme is a £2,668,565 revenue only project, part-funded by a £1,601,139 grant from the European Regional Development Fund (ERDF). The programme began delivery in January 2020 and has a revised Practical and Financial Completion Date of 30th June 2023.
- 1.4 The South Yorkshire Digital Innovation Grant Programme was operational during the COVID-19 pandemic, which had a major impact on the delivery of the project, the ability to engage with businesses and the presenting needs of businesses on the programme.
- 1.5 One the key elements of the Summative Assessment process is to understand the range of economic impacts of ERDF investment. In order to achieve this the Summative Assessment has utilised a self-reporting counterfactual impact assessment, which draws on the experiences of SMEs that have received support through the Digital Innovation Grant programme and the impact it has subsequently had on their growth and job creation.
- 1.6 The programme's Logic Model is a simple one – that activity to encourage SMEs to adopt and invest in digital technology and connectivity will lead to the development of new products, processes and services and improvements in productivity, which in turn will lead to business growth and potentially job creation.
- 1.7 The Summative Assessment performance impact calculations were undertaken to the end of Claim 13 (the end of March 2023) and draws upon a business survey of beneficiaries with 107 responses. By the end of March 2023, the project had defrayed a total of £2,130,797 (or 54.7% of the budget).

Table 1.1 Digital Innovation Grant programme performance to March 2023

Programme Outputs	Project Change Request March 2019	Current Performance	Projected Performance
C1 Number of Enterprises Receiving Support	250	154	233
C5 Number of new enterprises supported	30	1	11
C29 No. of enterprises supported introducing new to firm products	150	111	148

Source: Digital Innovation Grant Programme Claims, Funding Agreement and Funding Agreement Variations

- 1.8 As shown in Table 1.1 above, as of Claim 13, the project had made mixed progress against its contractual outputs. Most ERDF projects deliver their outputs in an S-Curve, with businesses completing their grant investment and tripping over 12 hours later in the programme. This is the case with the Digital Innovation Grant programme. The process of gathering evidence of ERDF outputs also means many outputs are claimed later in the project cycle.
- 1.9 With regards to the C1 output, the project had supported 154 businesses with a minimum grant award of £1,000, which is 38% below target. It is forecast by the Project Management Team that a further 79 businesses will complete their projects for the next and final claim, which will result in a total of 233 C1 outputs, meaning the project should at the very least be within a 10% variance of its target.
- 1.10 Most businesses engaged had been established businesses and the project will not meet its overall target for the number of new enterprises supported, due to variety of reasons. The project has delivered three quarters of its reduced C29 target of supporting businesses to introduce new to the firm products, services and processes and it is expected that this target will broadly be met over the next quarter.
- 1.11 Before receiving a grant, a total of 5% of businesses that received a Digital Innovation Grant hardly used digital solutions when they first engaged on the programme. There were a further 43% of businesses that cited only some use of digital solutions. Almost half of businesses that received support from the programme had relatively low levels of digital adoption and only 14% stated that digital solutions already formed the core of our business activity.
- 1.12 After receiving investment the deployment of digital solutions changed considerably. No businesses stated they hardly used digital solutions and only 8.7% said they only used some digital solutions. The biggest change has been in the cohort of businesses that stated digital solutions formed the core of business activity. This more than doubled from 14% to 31% after beneficiaries received a grant.

- 1.13 As part of the business survey process, beneficiaries were asked to identify the impact of the programme across a range of business processes and opportunities. Almost 80% of businesses cited the intervention had a **positive or very positive impact on productivity and profitability** and a similar proportion identified a positive or very positive impact on using digital solutions to access new customers and markets. Other areas of significant impact included business resilience (71% positive or very positive) customer service quality and handling (68%) and helping the business to recover from COVID-19 (64%).
- 1.14 Another key aspect of the performance of the programme is the creation of additional jobs for the local economy. Within the business survey, respondents were asked to identify the difference between the level of employment in the business when they joined the programme and their current level of employment.
- 1.15 Overall, 38 businesses out of 107 that completed the survey stated they had subsequently created employment (35.5% of businesses). These businesses collectively created 53.5 employment positions, or an average of 1.41 jobs per business that increased employment.
- 1.16 If average additional job figures are applied to the 233 businesses that are anticipated to be supported (to a C1 output), it would suggest businesses that have been on the programme would have created a total of **116.6 jobs**.
- 1.17 Within the business survey, businesses were asked to attribute their digital and business growth impacts to the interventions on the programme to inform the counter-factual impact assessment. A total of **19% of businesses stated their involvement in the project transformed their use of digital solutions** and directly led to growth, with a further 75% stating their involvement in the project assisted in some way the businesses digital activity and growth.
- 1.18 On this basis, of the 116.6 gross additional jobs likely to be created, there is a direct estimated increase in net employment of 22.1 that can be directly attributed to the programme, with a further 87.5 jobs being supported or accelerated in some way as a result of the project. This is a total of **109.6 net additional jobs** attributable to the Digital Innovation Grant programme.
- 1.19 Based on a net increase of 109.6 jobs within the South Yorkshire economy and the latest Gross Value Added (GVA) per filled job figure for Sheffield City Region of £45,351¹, the overall impact of the Digital Innovation Grant programme on sub-regional GVA is expected to be £4.97m per annum.
- 1.20 If the programme supported an indirect increase in productivity of 10% across these employees, this would result in an increase in Gross Value Added across South Yorkshire of £5.46 per annum and over a five-year period should create a net economic return of £12.83 for every £1 invested **and £17.96 for every £1 of ERDF invested**.

¹ 2020 Regional gross value added (balanced) per head and income components (2022 release) ONS

- 1.21 Despite presently falling short on its outputs, the programme should still offer **very good value for money** for businesses supported and jobs created and is forecast to be below the relevant national benchmarks for the ERDF programme.
- 1.22 The grant fund was well received by businesses, offering small amounts of investment to help businesses adopt a range of digital solutions to improve the business performance. This project filled a gap in the business support and finance offer in South Yorkshire, allowing businesses to make small revenue and capital investment in digital hardware, software and consultancy. This was often harder to do in more general business grants that may have more of an emphasis on capital equipment or a strong focus on job creation. The online application process had been successful and had made the process easier at the front and back end.

2 Introduction and Project Background

- 2.1 Every European Regional Development Fund (ERDF) grant funding agreement places a requirement on recipients to undertake a Summative Assessment. Barnsley Metropolitan Borough Council, as the project applicant and Accountable Body, has commissioned this final evaluation and Summative Assessment of the South Yorkshire Digital Innovation Grant programme to:
- Identify whether the programme will achieve its aims and objectives
 - Obtain feedback from beneficiaries on the processes/quality of support
 - Understand and quantify the likely impacts of the programme
 - Assess the value for money of the programme
 - Learn key lessons from the experiences of the programme
- 2.2 The Digital Innovation Grant programme began delivery in January 2020 and had an initial Practical and Financial Completion Date of 31st December 2022. This Summative Assessment process draws from a previously completed Summative Assessment Plan and Logic Model, explained further within the Methodology section.
- 2.3 The Summative Assessments has been co-ordinated by S4W Ltd, drawing on a range of performance, contextual and impact data, interviews with key project staff and beneficiaries and a detailed business survey.
- 2.4 This report provides the information for the Summative Assessment Summary Template (ESIF1-014) and adds a range of contextual data from a business survey, stakeholders and case studies to provide a more rounded programme evaluation.

About the South Yorkshire Digital innovation Grant Programme

- 2.5 The Digital Innovation Grant Growth Programme is a £2,668,565 revenue only project, part-funded by the European Regional Development Fund (ERDF). The programme provides grant support to eligible small and medium businesses across South Yorkshire. Eligible businesses must be located in the Local Authority areas of Barnsley, Doncaster, Rotherham or Sheffield. The project has been promoted by the South Yorkshire Growth Hub and has been promoted by their marketing and Advisers to relevant businesses.
- 2.6 The programme has been funded by a £1,601,139 grant through ERDF Priority Axis 2, “Enhancing access to, and use and quality of, Information and Communication Technologies”. This represents a 60% intervention rate.
- 2.7 The programme is centred around a £2.135m Digital Innovation Grant pot to support businesses to utilise technology-based solutions to improve business performance and productivity. Businesses could secure up to 50% of the investment of a digital project’s costs up to a total of £10,000 total project cost (with a maximum grant size of £5,000).

- 2.8 Projects for the Digital Innovation Grants are to invest in advanced technology, specialist IT consultancy, and Research and Development to expand product lines, expand operations or change business processes. Some of the items that can be supported include:
- To support Research and Development
 - Client Relationship Management systems
 - Cloud solutions
 - New software development
 - Remote monitoring and working solutions
 - Collaboration technologies
 - Large data transfer solutions
 - Live high-quality video streaming
 - Voice over Internet Protocol (VoIP)
 - Laptops/desktops or tablet computers and peripheral devices, e.g. printers.
 - Development of apps
 - E-commerce solutions
 - Integration and consultancy costs
- 2.9 Applications were invited through a series of calls, after which bids were assessed and ranked. Prospective applicants applied to the programme via an online portal that helped the business to manage their application from start to completion. Applicants provide information on their business to assess their grant eligibility, information on what they propose to purchase, the overall objectives for the project and how securing grant funding affects the viability of their project.
- 2.10 Applicants also have to identify how the investment will help their business, what the benefits will be and a justification as to why they chose the supplier they did. If an application scores 50% or more then it is approved in principle
- 2.11 The project operated under the De Minimis State Aid regulation, ensuring businesses do not receive over €200,000 of aid over three consecutive financial years.
- 2.12 The programme closed to new applications at the end of December 2022, with live projects having until the end of March 2023 to complete their projects and defray all of their expenditure.

Direct Impact of COVID-19 on the Programme

- 2.13 The South Yorkshire Digital Innovation Grant Programme was operational during the COVID-19 pandemic, which had a major impact on the delivery of the project, the ability to engage with businesses and the presenting needs of businesses on the programme.
- 2.14 The project launched in January 2020, but the impact of the first national lockdown in March 2020 delayed the recruitment of staff and ultimately, launch of the grant scheme. The first call was not released until August 2021. As the programme was always planned to have an online application portal, there were no issues with regards to having to change application processes.

- 2.15 The pandemic did change some of the issues that businesses needed support with, as remote and hybrid working and e-commerce became much more of a focus for businesses.

Project Aims and Objectives, Outputs and Outcomes

- 2.16 The key aims of the Digital Innovation Grant programme were to encourage local SMEs to enhance their use of ICT to support business growth and productivity. Ultimately the investment was seen as a key tool to support digital transformation in businesses. The project filled a gap in business support provision in South Yorkshire by providing specialist investment focussed on developing the digital capabilities of businesses to ensure they were positioned to take advantage of emerging digital technologies.
- 2.17 In terms of longer term outcomes, it was anticipated the investment will help businesses to develop new business models and become more innovation active, which in turn will improve their turnover, survival rates and ultimately generate additional employment.

Table 2.1 Digital Innovation Grant Programme Contracted ERDF Outputs

Programme Outputs	Full Application	June 2022 PCR
C1 Number of Enterprises Receiving Support ²	250	250
C5 Number of new enterprises supported ³	40	30
C29 No. of enterprises supported to introduce new to the firm products ⁴	250	150

- 2.18 The contracted outputs of the Digital Innovation Grant programme at Full Application Stage are highlighted in table 2.1 above. A total of 250 businesses were to be supported with a grant, with an average grant of around £5,000. Of these, it is anticipated 40 businesses would be new start businesses, in their first year of trading. Every grant is anticipated to develop a new to the firm innovation by developing new products, processes or services.

Governance

- 2.19 Barnsley MBC are the Programme Managers and Accountable Body for the ERDF investment. The project has been directly delivered by Barnsley Metropolitan Borough Council – but grants were available across Sheffield, Rotherham and Doncaster. The project matched funding comes from private sector investment made into the individual projects delivered by each Business.

² The ERDF project has provided evidence of either 2 days (12 hours) active consultancy support or Grant or Loan/Risk Finance Investment of at least £1,000 (ERDF Output Guidance – p11)

³ A new business is one which has been registered at Companies House or HMRC for less than 12 months before support is provided or is a business locating in the England programme area for the first time (ERDF Output Guidance – p23)

⁴ A product is new to the firm if it offers new functionality, or the technology is fundamentally different from the technology of already produced products. Products can be tangible or intangible (including services). (ERDF Output Guidance – p34)

- 2.20 There is a Project Management Team, based at Barnsley MBC, which consists of a Group Leader (around 30% of time) a Part-Time Senior Programme Manager and two Full Time project officers.
- 2.21 As the COVID-19 pandemic hit, the Governance for the project adapted by holding online meetings. As the application process was already online, there was no need to change the grant process.

Project Change Requests

- 2.22 Barnsley MBC only submitted a single Project Change Request in June 2022. Although the project officially started in January 2020, the impact of COVID-19 meant a first call for grants wasn't released until August 2021. In order to ensure the project could meet its financial and output requirements, the Practical Completion Date and Financial Completion Dates were extended until 30th June 2023. The C5 and C29 outputs were reduced for the project (as shown in Table 2.1 overleaf) and there was no change to the budget envelope, but some of the salary underspends in the programme were reallocated into other revenue categories.
- 2.23 Table 2.2 below shows the breakdown of the programme budget by category within the original application and then in the Project change Request submitted in June 2022.

Table 2.2 Digital Innovation Grant Programme

Budget	Full Application	PCR	Variance
Salaries	£302,750	£251,778	-£50,972
Overheads	£45,415	£37,766	-£7,649
Revenue Grants	£2,135,000	£2,135,000	0
Marketing	£155,400	£214,021	£58,621
Summative Assessment	£30,000	£30,000	0
Total	£2,668,565	£2,668,565	0

Future Programme Activity

- 2.24 Barnsley MBC has submitted a successful proposal to the South Yorkshire Metropolitan Combined Authority to deliver a successor programme to the Digital Innovation Grant by incorporating a stronger digital focus into a revised Business Productivity Programme funded by UK Shared Prosperity Fund (UKSPF). The program will allow businesses to apply for digital grants of up to £25,000 to utilise digital technology to improve their overall productivity.
- 2.25 It is anticipated that the new UKSPF programme will be operational during quarter 2 of the 2023/24 financial year.

3 Strategic Contexts

Market Failure Context

- 3.1 The project has been delivered during a rapid period of political, economic and technological change. The most prominent has been the onset and then abatement of the COVID-19 pandemic.
- 3.2 The COVID-19 pandemic and its restrictions on human interaction have significantly accelerated these trends and many businesses have relied on digital technology to keep on trading, maintain relationships with customers and suppliers and allow staff to work from home and the desire for hybrid working has subsequently continued.
- 3.3 The economic rebound and structural changes in the labour market have meant that many businesses are now looking to use digital technology to maintain their productivity and competitiveness - as some sectors struggle to compete effectively in a labour market where skills come at a premium cost.
- 3.4 Digital Technology was already a growing component of economic growth, supporting productivity and the development of new products, driving flexibility in the labour market, changing the relationships between customer and supplier across large swathes of the economy and changing the way Government provides support and services.
- 3.5 Coupled with social and economic changes, the project has also operated during the end of the BREXIT transition period and has had to adapt to a rapidly changing regional and economic policy after 40 years of EU investment and legislation as primary policy drivers.
- 3.6 Many businesses have needed support and investment to react and adapt to these rapidly changing circumstances and to effectively deploy digital technology within the business (both before and after the pandemic). This is the context within which the project has operated.
- 3.7 The current economic climate presents many challenges for businesses looking to innovate and grow as investment budgets are squeezed or delayed due to uncertainty, margins become tighter and, as has been the case in the UK macro-economy for a significant period of time, short term returns are encouraged over long-term growth.
- 3.8 Business are also currently facing a productivity challenge, a long term issue for the UK economy but exacerbated by the current cost of living crisis and increasing energy costs. Utilising digital solutions is increasingly linked to the twin challenge of reducing energy consumption and carbon emissions, whilst also increasing productivity.

- 3.9 The key market failures that the programme is trying to address through the provision of Digital Innovation Grants is ensuring sub-regional SMEs have access to financial assistance to help them invest in digital technology, which in turn will drive productivity improvements. It was noted that Sheffield City Region lagged 17% behind the UK average with regards to productivity per worker.

“While digital technologies, tools and skills are being exploited by small businesses nearly all could be doing more to realise the full potential benefits.” ERDF England Operational Programme 2014-20

UK Industrial Strategy and Levelling Up White Paper

- 3.10 The project extension was developed in the context of the UK Industrial Strategy, which has now taken more of a policy back seat as the focus switched to the Levelling Up agenda, with the agenda forming a major component of the May 2019 General Election campaign and the White Paper released in February 2022.
- 3.11 The Levelling Up White Paper has a rounded focus on ‘Levelling Up’, expressed in a number of ‘Levelling Up’ missions. The missions have a focus on supporting a strong economic base, society and communities, empowering local leaders and improving education, health and wellbeing and local pride. Should Levelling Up remain a primary economic goal in current times of change, the digital agenda will have to reflect these much wider objectives.
- 3.12 Much of the emphasis within the Levelling Up White Paper is improving digital infrastructure across the UK, including the roll out of 5G technology and Gigabit capable broadband. The White Paper recognises that digital technologies have the power to agglomerate economic impacts and encourages both firms and areas to improve productivity by take advantage of the opportunities available in the digital economy, especially within the manufacturing sector. Alongside infrastructure availability, the main barrier to growth in the digital economy is the level of digital skills available in the workforce.
- 3.13 The UK Industrial Strategy, which set out a long-term plan to boost the productivity and earning power of people throughout the UK, aimed to help industry create higher-paying jobs in every part of the UK. This would be achieved through investment in the skills, industries and infrastructure of the future. The White paper published in November 2017 highlights the importance of the ability to innovate – to develop new ideas and deploy them.
- 3.14 It comments that the UK needs to be better at turning exciting ideas into strong commercial products and services and must do more to grow innovation strengths in every part of the UK, as well as maintaining the country’s overall position as a global leader in science and innovation.

- 3.15 The UK Industrial Strategy⁵ has identified five foundations for productivity within the national economy which are:
- Ideas
 - People
 - Infrastructure
 - Business Environment; and
 - Places
- 3.16 Productivity is identified as a key driver of economic growth and has been a major national constraint on national growth over recent years. It is one of the key issues to be addressed in the National Industrial Strategy and is likely to be a significant policy influence over macro and micro economic policy for some time to come.
- 3.17 Within the Industrial Strategy are a number of ‘Grand Challenges’ facing the UK economy, one of which is leading the digitalisation of the economy, through enhanced and better use of artificial intelligence and the use of big data.
- 3.18 Digital and ICT was a cross cutting productivity theme in the Industrial Strategy, with a significant desire to see activity that improves productivity in what it identifies as the ‘long tail’ of less productive businesses within the UK. This is an area that the Digital Innovation Grants programme has been keen to support and has incentivised these types of businesses through grant investment to adopt and invest in digital solutions to enable more efficient growth.

UK Digital Strategy

- 3.19 The UK Digital Strategy (2017) draws from the Industrial Strategy and provides a range of national level ambitions and activities to support the digital strands of the Industrial Strategy and also achieve wider national digital goals. The Strategy aims to make the UK the best place to start and grow a digital business. The aim is to increase the economic contribution of the digital sector to £200bn by 2025.
- 3.20 The Strategy also sets an aim to provide help to every business to become a ‘digital’ business. The strategy identifies the link between technology, productivity and growth and how it can be a positive force across the economy. It also positions technology as being critical to business innovation and highlights the importance of universities in developing and supporting early stage digital innovators.

Strategic Economic Plan

- 3.21 The Digital Innovation Grant was initially developed under the strategic direction of the Sheffield City Region Strategic Economic Plan of 2015-2025. Within the Plan, Digital Technology was identified as a key economic sector. Digital is deemed as an enabling technology to support growth in a range of sectors including manufacturing, engineering, healthcare and business services. It is also an important plank to building a knowledge based economy.

⁵ Industrial Strategy: building a Britain fit for the future 27 November 2017, Department for Business, Energy & Industrial Strategy

- 3.22 The first Strategic Economic Plan, prevalent at the launch of the Digital Innovation Grant programme, was superseded by a revised Plan covering 2021 to 2041. The revised Plan, linked to recovery from COVID-19, had much more of a focus on the digital economy.
- 3.23 Digital technology has again been identified as a key enabler of economic growth and the Plan moves beyond the link between digital technology and productivity to also include innovation. The Plan identifies the link between digital technology, accessing services and reducing carbon – creating a virtuous feedback.
- “Building our innovation capacity is crucial to meet growing demand for digital technology⁶.”*
- 3.24 There is an emphasis on increasing gigabit capability across South Yorkshire, which will create further opportunities for businesses to utilise digital technology. However, the Plan identifies take up is presently low which is creating a lag between actual broadband speeds and potential speeds.
- 3.25 The revised Strategic Economic Plan specifically states an action to help businesses invest into digital technology by creating business support products aligned to unlocking the growth potential of local businesses and supporting the adoption of digital technology by SMEs. This goes further than the previous plan and creating a hook for future investment to support businesses with digital solutions. The Plan has also identified the growth of hubs for digital technology across the four Local Authority areas, drawing together business growth, education and skills.
- 3.26 The fourth industrial revolution (Industry 4.0) is clearly going to have a disruptive effect across a range of economic sectors, including manufacturing and engineering and other key local sectors. The nature of work is changing, including an increasing need to develop digital skills, and an additional 10,000 digital and creative staff are needed in South Yorkshire needed by 2024. This is a challenge for areas like South Yorkshire that already have a digital divide.

Sheffield City Region European Structural and Investment Funds Strategy

- 3.27 The European Structural and Investment Funds (ESIF) are the EU's main funding programmes for supporting growth and jobs across the EU. The Sheffield City Region ESIF covers a programming period from 2014-2020. The funds consist of European Regional Development fund (ERDF), European Social Fund (ESF), and part of the European Agricultural Fund for Rural Development (EAFRD).
- 3.28 The priorities in the ESIF have been aligned with the strategic priorities of the Sheffield City Region Strategic Economic Plan. The ESIF Strategy aimed to support the objectives of creating 70,000 net additional jobs, increase sub-regional Gross Value Added by 10% (or a total of £3bn) and creating an additional 6,000 new start businesses.

⁶ Our Strategic Economic Plan 2021 – 2041 (2021) Sheffield City Region LEP

- 3.29 Some of the main challenges for Sheffield City Region are to grow the level of private sector employment, to cut the enterprise deficit as the City Region has a low stock and start up rate of SMEs compared to its population base, to increase productivity in local businesses and to create more jobs in high skilled occupations. These are all areas that the Digital Innovation Grant programme can add value to.
- 3.30 With regards to the role of digital technology supporting local economic development, the ESIF Strategy focussed on two areas. The first is expanding the roll out of digital infrastructure across the City Region and the second is supporting and encouraging businesses to deploy ICT based products and services, e-commerce and to increase overall demand for ICT technology.

UK Shared Prosperity Fund Investment Plan

- 3.31 The Levelling Up White Paper makes a clear link between productivity and economic growth and creating high quality jobs and driving up living standards in some of the economies of the South West, North and Midlands.
- 3.32 Alongside the launch of the White Paper, proposals for the UK Shared Prosperity Fund (UKSPF) have also been developed through to implementation. The £2.6bn fund is the replacement fund for European Structural and Investment Funds and a key driver for post BREXIT regional growth policy. The vision for the fund is based around the following objectives:
- Boost productivity, pay, jobs and living standards, especially in those places where they are lagging.
 - Spread opportunities and improve public services, especially in those places where they are weakest.
 - Restore a sense of community, local pride and belonging, especially in those places where they have been lost.
 - Empower local leaders and communities, especially in those places lacking local agency
- 3.33 The fund has an overarching objective of building pride in place and increasing life chances, covering three Investment Priorities, Community and Place, Supporting Local Business and People and Skills. These priorities are then linked to the 'missions' contained within the Levelling Up White Paper. South Yorkshire Mayoral Combined Authority has been awarded £46.3m through the UKSPF programme between the financial years of 2022/23 through to 2024/25.
- 3.34 Alongside the allocations of UK Shared Prosperity Fund, Rural areas receive an additional Rural England Prosperity Fund top up (from DEFRA) which is in the form of a capital only grant. South Yorkshire has received an additional allocation of £1,434,307.

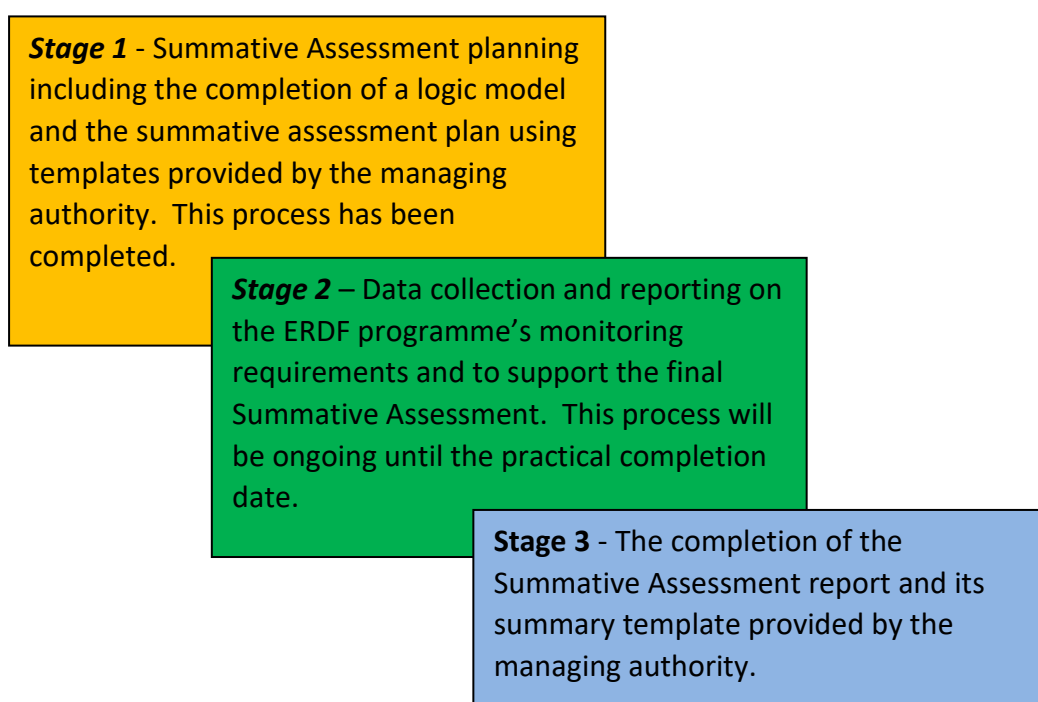
- 3.35 Some of the activities within the UKSPF Investment Plan are well developed and now have active routes to market for several investment priorities. A proposal for the continuation of the Digital Innovation Grant (combined with the South Yorkshire Business Productivity Programme) has provisionally been approved by the South Yorkshire Mayoral Combined Authority.
- 3.36 The key priorities with the South Yorkshire Investment Plan are to drive up Research and Development and innovation and to stimulate enterprise and growth.

4 Methodology and Summative Assessment Context

“...Summative Assessments are intended to provide insights into project performance to enhance their implementation, reliable evidence of their efficiency, effectiveness and value for money, as well as insights into what and why interventions work (or not) and lessons for the future.”⁷

- 4.1 This Summative Assessment report is the cumulation of an ongoing process that began early in the project delivery cycle to understand the impacts and lessons learnt from the programme. The process has drawn heavily from the ERDF Summative Assessment Guidance, assessing the following key components:
- The continued relevance and consistency of the project;
 - The progress of the project against contractual targets;
 - The experience of delivering and managing the project;
 - The economic impact attributable to the project; and
 - The cost-effectiveness of the project and hence its value for money.
- 4.2 The Summative Assessment process is based around three phases, which are shown below.

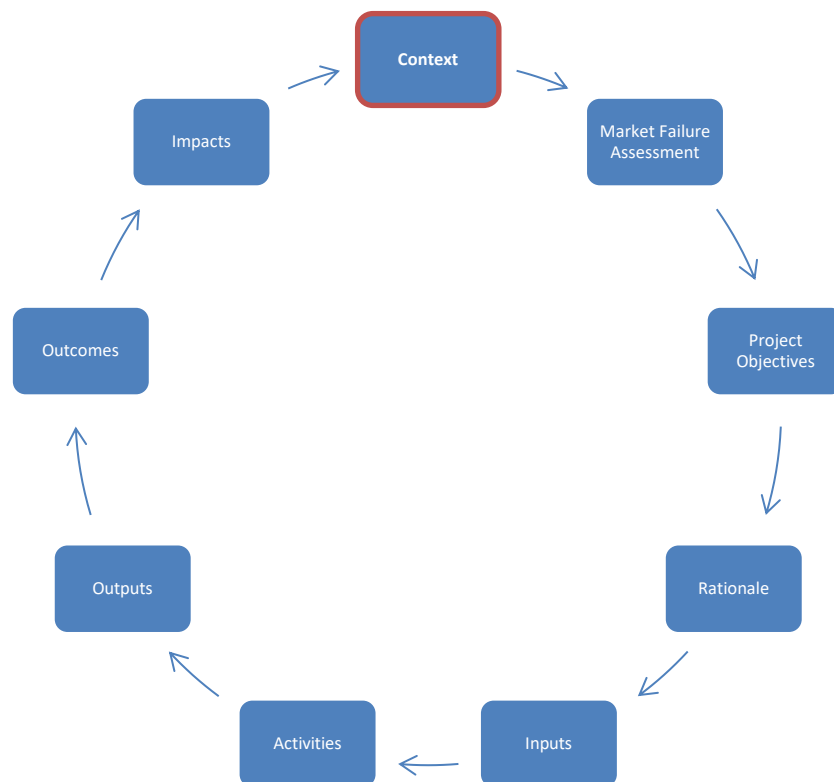
Diagram 4.1 Summative Assessment Phases



- 4.3 The Summative Assessment process draws from an underpinning logic model, which encourages projects to consider in project design, delivery and implementation how activity within the project can be measured and what type of outcomes and impacts the project will deliver.

⁷ Summative Assessment Guidance (August 1017) MHCLG page 3

Diagram 4.2 Summative Assessment Logic Model



Source: MHCLG – Summative Assessment Logic Model

- 4.4 Diagram 4.2 identifies the ‘theory of change’ driven logic model for the project development, delivery and final Summative Assessment process. The Logic Model involves understanding the context within which the Digital Innovation Grant Programme will operate and the market failure(s) it will try and address. From this process, a set of project objectives have been set, alongside a series of activities clearly linked to a set of outputs, outcomes and impacts.
- 4.5 The logic model is a key mechanism for ensuring learning and feedback is constantly incorporated into the delivery of the programme, how it effectively engages and supports beneficiaries, the quality of services it delivers and how it measures impact.
- 4.6 This Summative Assessment draws upon a range of quantitative and qualitative evidence to understand the long-term impact the programme will have on the sub-regional economy, how it is performing against its profiled targets and how the project might ensure its resources are effectively deployed to achieve the maximum operational impact until the end of the project. This evidence includes:
- Key Project and Contextual documentation
 - Meetings with key project staff at Barnsley MBC
 - ERDF Performance Management and Claims Data
 - Management information from the Digital Growth Programme database
 - A business survey with 107 responses and a series of business case studies across both phases of the project

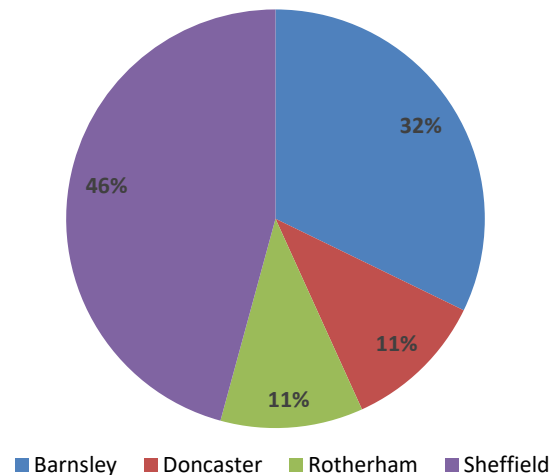
- 4.7 The Summative Assessment also considers the programme management structures, highlighting key learning points and making recommendations for future actions to support the adoption and deployment of digital technology in SMEs across South Yorkshire.
- 4.8 The methodology has centred upon evaluating the following key issues:
- How the programme performed against its key milestones
 - How the programme performed against its contracted outputs and outcomes
 - How the programme supported the ERDF Horizontal Themes
 - Qualitative perceptions of the project, its performance, governance and management and its contribution to sub-regional business growth
 - Future Outputs, Outcomes and Impacts Performance
 - Additionality and Value for Money
 - Key lessons learned and best practice
- 4.9 The methodology has worked within the parameters of the General Data Protection Regulation (GDPR), recognising the study will require a direct business survey and case studies and interrogation of the management information systems of project partners. The research has been undertaken drawing on the GDPR principles of:
- Processing data in a lawful, fair and transparent manner
 - Data is collected for a specific, explicit and legitimate purpose
 - Is accurate and up-to-date
 - Is processed in a manner that ensures security of the personal data
 - Is based on consent of the data subject
- 4.10 The evaluation will incorporate a theory of change analysis, identifying the key ‘change agents’ of the project – the aspects of the programme that are most effective in delivering its outputs, outcomes and impacts. The theory of change will be the key process for testing the applied logic of the Summative Assessment Plan and Logic Model. These will be identified from the business survey results and case studies.
- 4.11 Performance data for the project has been drawn from Claim 13, which covers performance up to the end of March 2023. Where required, this performance has been extrapolated to the end of the programme.

Business Engagement

- 4.12 The evaluation also draws from the results of a business survey to which 107 responses were received. The survey covered a range of different subjects including.
- Business background, activities and location
 - Referral processes, engagement on the project, quality of service received
 - Experiences and impact of any grant received
 - Impact on jobs, turnover and new products
 - Attribution of the project to achieving the business impacts
 - Future business and investment priorities

- 4.13 As shown in Chart 4.3 below, almost half of all businesses that completed the survey were located in Sheffield, with a third being located in Barnsley.

Chart 4.3 Location of businesses completing the Business Survey



Source: Digital Innovation Grant Programme Business Survey (2023)

- 4.14 A total of 5 businesses have also been portrayed as case studies within the report, identifying some of the impacts of the programme on individual businesses and the type of support they received. Case studies have been provided by the Programme Management Team.

Impact Calculations

- 4.15 One the key elements of the Summative Assessment process is to understand the range of economic impacts of the ERDF investment. The impacts will be calculated based on the overall performance of the Digital Innovation Grant programme at Claim 13 (March 2023) which represents the penultimate claim for the programme. At the point when the Impact Calculation has been undertaken, the programme has been closed to new grant applications.
- 4.16 In order to assess the likely economic impacts of the programme, the Summative Assessment will undertake a self-reporting counterfactual impact assessment – drawing on the experiences of SMEs that have received support and investment through the programme and the impact it had on their growth and job creation. It incorporates an assessment of deadweight and substitution based on survey responses.

5 Performance Review

Financial Performance

- 5.1 The South Yorkshire Digital Innovation Grant programme has been fully operational since January 2020 and by the end of March 2023 the project had defrayed £1,460,704 (as of Claim 13) which is 54.7% of the project budget. The last claim submitted, Claim 13, which covers the period from 1st January 2023 to 31st March 2023 was for a total of £489,197.
- 5.2 The Project Management Team have forecast a final expenditure for the project of £2,130,797, which would represent a total of 79.8% of the budget defrayed.
- 5.3 The issues relating to low levels of defrayal than expected is largely related to staff capacity and recruitment during the COVID-19 pandemic. The pandemic also delayed the launch of the grant programme to August 2021, which in turn has had an impact on rates of defrayal – which are peaking as the project is ending.
- 5.4 There have also been issues related to the rate that businesses have been completing their projects and defraying their expenditure. COVID-19 caused a number of supply chain issues, especially related to a shortage of microchips, which in turn meant long lead times even for some relatively basic IT equipment. This was in addition to wider supply disruption.
- 5.5 Some businesses during the pandemic and in its aftermath have been preserving cashflow and protecting their balance sheets. A small minority of businesses could not commit to either paying in advance to cashflow the purchase or commit their half of the capital. Pervading economic conditions meant this remained an issue over the duration of the programme and caused some delays to individual projects.

“We decided not to go ahead and claim the grant as we didn't have the funds at that particular time to pay for the company contribution payment.”

Project Outputs

- 5.6 As shown in table 5.1 overleaf, as of Claim 13, the project had made mixed progress against its contractual outputs. With regards to the C1 output, the project had supported 154 businesses with a minimum grant award of £1,000. This is presently, 38% below target.
- 5.7 Current performance is what has actually been claimed and there are a significant number of live projects that will be coming to fruition by the end of the project. As of 31st December 2022, there were a total of 270 projects that had either completed or that were still live. A total of 55 of these were claimed between January and March 2023 and it is forecast by the Project Management Team that a further 79 businesses will complete their projects for the next and final claim.

- 5.8 Although some of these projects may ultimately drop out of the programme, partly due to reasons cited in section 5.5 above, the Summative Assessment predicts the project should be able to meet its target of 250 C1 outputs or at the very least be within a 10% variance.

Table 5.2 Digital Innovation Grant programme performance to March 2023

Programme Outputs	Project Change Request March 2019	Current Performance	Projected Performance
C1 Number of Enterprises Receiving Support ⁸	250	154	233
C5 Number of new enterprises supported ⁹	30	1	11
C29 No. of enterprises supported introducing new to firm products ¹⁰	150	111	148

Source: Digital Innovation Grant Programme Claims, Funding Agreement and Funding Agreement Variations

- 5.9 Most of the businesses engaged to date had been established businesses and the project will not meet its overall target for the number of new enterprises supported. This is partly due to a decline in the number of businesses starting during and in the aftermath of the pandemic. Many individuals became more risk averse, capital availability to fund start-ups was less available and many of the benefits of self-employment, including higher earnings and flexible working were being offered by employers.
- 5.10 The project has delivered three quarters of its reduced C29 target of supporting businesses to introduce new to the firm products, services and processes, currently supporting 111 out of a target of 150. Much of the delivery of this output is being collated late in the project as the Project Management Team secure evidence from the individual businesses. It is expected that this target will broadly be met over the next quarter.

Job Creation

- 5.11 Another key aspect of the performance of the programme is the incidence of the interventions of the Digital Innovation Grant in creating additional jobs for the local economy (a key element of Summative Assessments, but not part of the programme's performance outputs).

⁸ The ERDF project has provided evidence of either 2 days (12 hours) active consultancy support or Grant or Loan/Risk Finance Investment of at least £1,000 (ERDF Output Guidance – p11)

⁹ A new business is one which has been registered at Companies House or HMRC for less than 12 months before support is provided or is a business locating in the England programme area for the first time (ERDF Output Guidance – p23)

¹⁰

- 5.12 Within the business survey, respondents were asked to identify the difference between the level of employment in the business when they joined the programme and their current level of employment.
- 5.13 Overall, 38 businesses out of 107 that completed the survey stated they had subsequently created employment (35.5% of businesses). These businesses collectively created 53.5 employment positions, or an average of 1.41 jobs per business that increased employment.
- 5.14 A significant number of businesses that had not created employment stated they would be doing so in the future. Below are some of the examples of where businesses have said they will create employment in the future.

“We will be employing 3 new positions in the business within the next 2 months.”

“We have not created jobs but we have hired subcontractors.”

“We have not created any jobs but the grant has contributed to the safeguarding of 15 FTEs.”

“Not yet but we will be employing a full time warehouse staff member in Q2 or Q3. They will be fully engaged with the new IT system that the grant funded.”

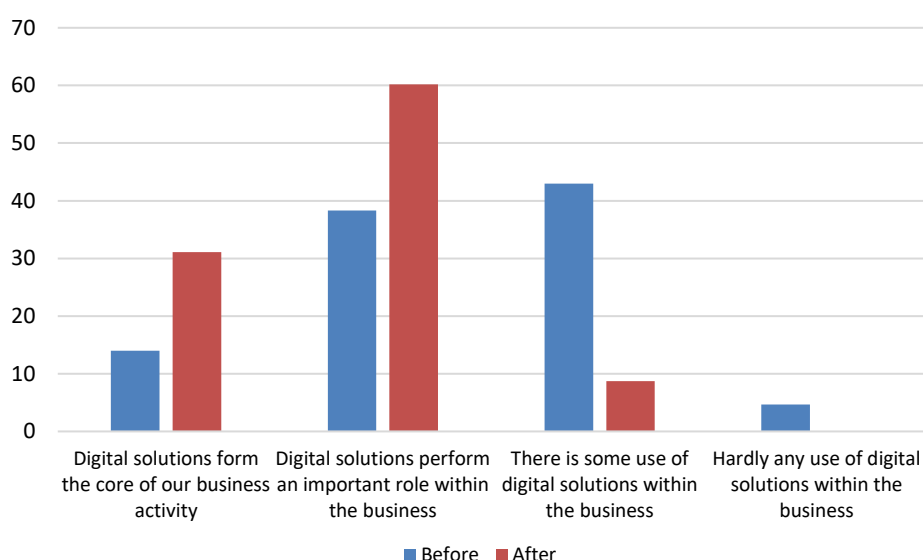
“We are now equipped to take on a member of staff when we find the right person.”

- 5.15 If average additional job figures are applied to the 233 businesses that are anticipated to be supported (to a C1 output), it would suggest businesses that have been on the programme would have created a total of **116.6 jobs** for an anticipated final outturn of £2,130,797 of investment. The net impact of the programme is analysed further in chapter 7.

6 Additional Impacts of the Digital Growth Programme

- 6.1 One of the key strategic impacts of the programme has been to support the long tail of businesses that have relatively low levels of productivity (which is a core focus of the National Industrial Strategy and the Levelling Up white paper) and demonstrating clear impacts on these business's productivity and profitability through the deployment of digital technology.
- 6.2 Chart 6.1 below shows the level of digital adoption in businesses before and after they received their grant investment. Before the investment a total of 5% of businesses that received a Digital Innovation Grant hardly used digital solutions when they first engaged on the programme. There were a further 43% of businesses that cited only some use of digital solutions.
- 6.3 On this basis, almost half of businesses that received support from the programme had relatively low levels of digital adoption and only 14% stated that digital solutions already formed the core of our business activity.

Chart 6.1 Levels of Digital Adoption when first engaging on the programme

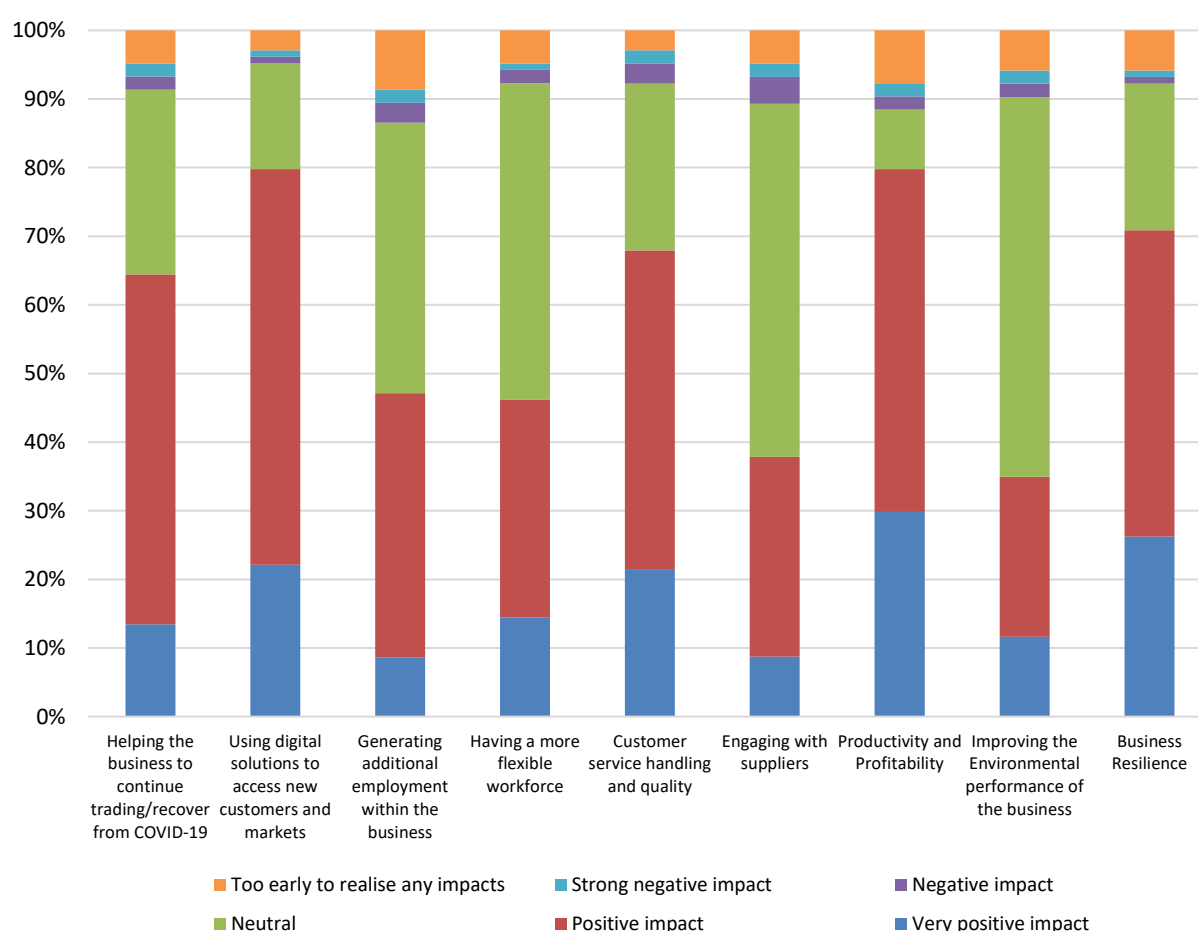


Source: Digital Innovation Grant Programme Business Survey (2023)

- 6.4 After receiving investment the deployment of digital solutions changed considerably. No businesses stated they hardly used digital solutions and only 8.7% said they only used some digital solutions. The majority of businesses (60.2%) said digital solutions play an important role in the business – higher than the 38.3% before businesses received investment. The biggest change has been in the cohort of businesses that stated digital solutions formed the core of business activity. This more than doubled from 14% to 31% after beneficiaries received a grant.
- 6.5 Of the five businesses that hardly used digital solutions before their grant, four subsequently stated that digital now plays an important role within the businesses, clear evidence of digital transformation. Of the 43 businesses that originally stated they had only some use of digital solutions, a total of 6 now said digital forms the core of the business activity and a further 29 said it played an important role.

- 6.6 As part of the business survey process, beneficiaries were asked to identify the impact of the programme across a range of business processes and opportunities (highlighted in chart 6.2 overleaf). Almost 80% of businesses cited the intervention had a **positive or very positive impact on productivity and profitability** and a similar proportion identified a positive or very positive impact on using digital solutions to access new customers and markets.
- 6.7 Other areas of significant impact included business resilience (71% positive or very positive) customer service quality and handling (68%) and helping the business to recover from COVID-19 (64%).

Chart 6.2 Impacts across a range of business processes out outcomes



Source: Digital Innovation Grant Programme Business Survey (2023)

- 6.8 The business survey, interviews and case studies have provided a range of evidence as to a range of wider business impacts that may not be captured within the confines of the relatively colourless ERDF monitoring processes. As a consequence, there have been a number of unexpected or intended benefits.

"It has allowed our business to increase monthly subscriptions which is very positive for our cashflow"

*"We have been able to market ourselves better thanks to the new software.
We have been able to offer visitors walkthrough CGI experiences which is something our clients have been asking from us."*

"The project has provided the company with a robust ERP system which we can use for end-to-end management of the customer journey, which can integrate seamlessly into purchasing and manufacturing administration."

"Improved communication across departments and less mistakes being made."

"(It has created the...) potential for scaling of business through customisation of our Sustainability Audit portal for SMEs to the needs of specific sectors/industries."

"The process has forced us to review all aspects of the business and our longer term goals."

"Now we have the equipment we can enter different markets previously unapproachable. It puts us in the spotlight for collaboration between other similar businesses in the region."

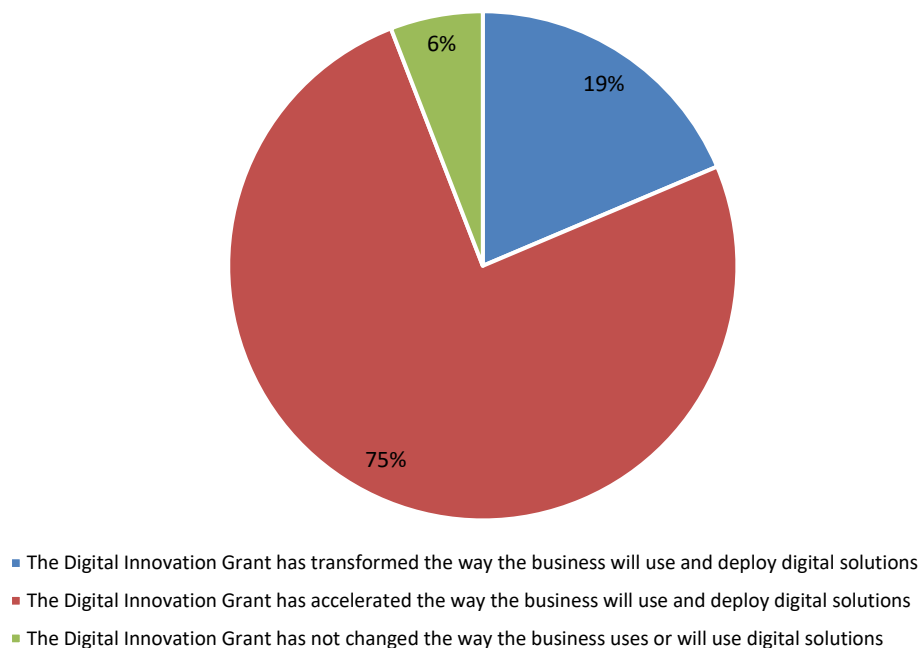
"The project was delivered into very depressed economic climate. Newly generated streams of income as a result of the grant have helped replace lost revenue from COVID-19."

"As a direct result of the grant, we have doubled our staff, gained international recognition in the form of a SXSW Arad nomination in Digital Innovation and are able to offer solutions to new higher paying customers."

7 Net Impacts and Value for Money

- 7.1 As identified within section 5.14, when the mean gross jobs created figures are applied to the 233 businesses the programme is projected to support, it would suggest businesses that have been on the programme would have created a total of 116.6 gross jobs.
- 7.2 Within the business survey, businesses were asked to attribute their digital and business growth impacts to the interventions on the programme to inform the counter-factual impact assessment. As shown in chart 7,1 below, **19% of businesses stated their involvement in the project transformed their use of digital solutions** and directly led to growth, with a further 75% stating their involvement in the project assisted in some way the businesses digital activity and growth. Only 6% of businesses engaged through the programme reported no change to how they deploy digital solutions and therefore provided no contribution to their growth.

Chart 7.1 Attribution of the Digital Innovation Grant to business transformation



Source: Digital Innovation Grant Programme Business Survey (2023)

- 7.3 On this basis, of the 116.6 gross additional jobs likely to be created, there is a direct estimated **increase in net employment of 22.1 that can be directly attributed to the programme**, with a further **87.5 jobs** being supported or accelerated in some way as a result of the project. This is a total of **109.6 net additional jobs** attributable to the Digital Innovation Grant programme.
- 7.4 It is also important to note that some businesses reported they had long term job creation aspirations outside of the timescales of the project. There were a number of examples provided in section 5 where a grant was helping with long term growth or expansion plans that would create jobs after a longer period. Some businesses were filling labour shortages through sub-contracting or offering additional shifts.

Value for Money and Benchmarking

- 7.5 Ensuring value for money for European Union Structural Funds investment is a key component of the ESIF programme and of current Summative Assessment guidance. As of the penultimate claim, the project has a forecast defrayal of £2,130,797 and is anticipated to contribute to a net increase of 109.6 jobs to the South Yorkshire economy at an average cost of £19,441 per job. The cost per business supported to a C1 output level (233 in total) has been £9,145 which includes the cost of grants awarded to businesses.
- 7.6 According to a report by Regeneris on the anticipated unit costs per output across the 2014-20 ERDF programme, the median benchmark for jobs created across ERDF projects should be £30,000, although this was based on research undertaken in 2013¹¹. The net cost per job created is currently lower than the Regeneris mean cost and the project does not have job creation as a key driver of its outputs.
- 7.7 With regards to businesses supported, the mean benchmark unit cost for a medium intensity business supported output is £34,000, with a median unit cost of £10,400. This demonstrates unit cost of businesses supported for the Digital Innovation Grant programme is below both the mean and median benchmarks.
- 7.8 On this basis the Digital Innovation Grant programme has offered **very good value for money** for the key outputs it has delivered.

Return on Investment and Gross Value Added

- 7.9 Based on a net increase of 109.6 jobs within the South Yorkshire economy and the latest Gross Value Added (GVA) per filled job figure for Sheffield City Region of £45,351¹², the overall impact of the Digital Innovation Grant programme on sub-regional GVA is expected to be £4.97m per annum. If the programme supported an indirect increase in productivity of 10% across these employees, this would result in an increase in Gross Value Added across South Yorkshire of £5.46 per annum and over a five-year period should create a net economic return of £12.83 for every £1 invested **and £17.96 for every £1 of ERDF invested**.

¹¹ Regeneris Consulting (2013) England ERDF Programme 2014-20 Output Unit Cost and Definitions

¹² 2020 Regional gross value added (balanced) per head and income components (2022 release) ONS

8 Cross Cutting Themes

8.1 Within the European Structural and Investment Funds programme are two Horizontal or Cross Cutting Themes that all projects across the European Union have to incorporate in their project development, delivery, monitoring and evaluation. These two Horizontal themes are:

- Sustainable Development
- Equalities and Diversity

8.2 Both have featured prominently in the current England ERDF programme and have been passed on to the Digital Innovation Grant programme, both in the way it engages businesses, the way the project has delivered its services and the way the project has monitored its outcomes and impacts.

Equalities

8.3 Equalities and Diversity have featured prominently in the current England ERDF programme. The requirement to embed equalities and diversity in projects has been passed on to the Digital Innovation Grant programme in the way it engages businesses, the way the project has delivered its services and the way the project has monitored its outcomes and impacts.

8.4 Within the Grant Funding Agreement, Barnsley MBC stated the programme would ensure no beneficiaries would be excluded on the basis of their characteristics and a range of needs will be considered during the design of the programme.

8.5 The beneficiaries that completed the business survey cited a range of positive outcomes with relation to equalities and diversity, notably through the creation of work placements and Apprenticeships, but also in opening up opportunities to join the workforce for additional part-time and home based or flexible working jobs.

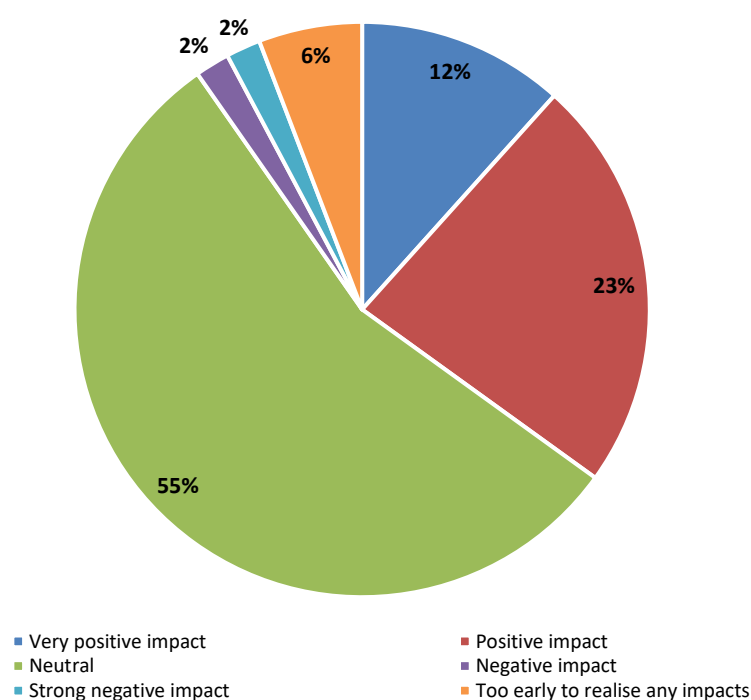
8.6 Within the context of the latter stages of COVID-19, the investment opened up significant opportunities for the workforce to work from home. Supporting working from home has helped keep many individuals who were at risk from health complications from COVID-19 safer, has opened up businesses to recruit in a much more flexible manner and has enabled people previously at a disadvantage through accessibility or caring roles to enter the labour market. Within the business survey, 55% of businesses saw a subsequent positive on being able to implement flexible working.

8.7 The investment from the programme has also enabled businesses to offer services and products to a broader marketplace. Many businesses are working to support the delivery of more effective public services as part of Local Authority, NHS, hybrid education and voluntary sector supply chains.

Sustainable Development

- 8.8 Promoting sustainable economic development is a key priority for the Sheffield City Region EU Structural and Investment Funds programme. The Strategic Economic Plan, which aims to make South Yorkshire a carbon neutral economy by 2041.
- 8.9 The support and investments have generally enabled activity within businesses that have encouraged more sustainable business practices that have resulted in waste minimisation, travel reduction (linked to working from home during COVID-19), reduced energy use and businesses implementing a range of more efficient processes.
- 8.10 Within the business survey, businesses were asked about the impact the grant award had on the environmental performance of the business. A total of 12% of businesses stated the programme had a very positive impact in this area and 23% a positive impact (35% combined). A further 6% stated it was still too early to tell if there had been any impact. For most businesses the outcome was a neutral impact.

Chart 8.1 Impact of the grant on the environmental performance of the business



Source: Digital Innovation Grant Programme Business Survey (2023)

- 8.11 Businesses were invited to provide any wider areas of benefit the project had, and there was coverage of helping to reduce energy costs, but no other quotable mentions of environmental benefit or carbon reduction.

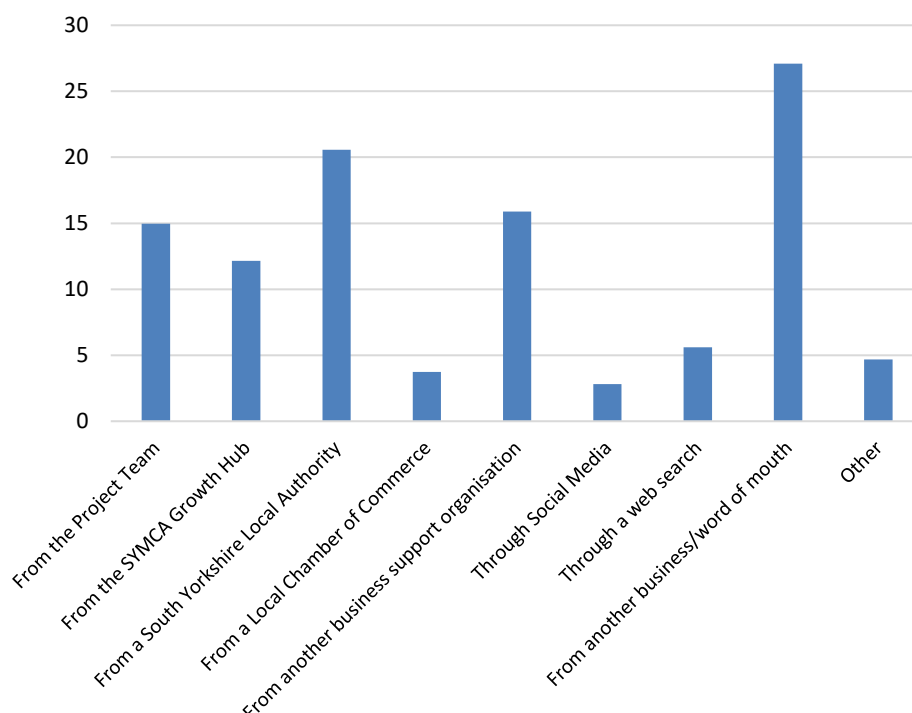
9 Qualitative Review

- 9.1 The business survey asked some qualitative questions about business' views on the quality of service they received, future support needs and their input into designing future digital business support activity and investment. These findings have been cross referenced against discussions with some of the key project delivery staff and stakeholders.

Referrals Processes

- 9.2 Within the ERDF Full Application it was anticipated that most of the referrals onto the programme would come via the South Yorkshire Growth Hub. In total 12% or around one in eight businesses heard of the programme from the Growth Hub. The most commonly cited measure was from another business or word of mouth at 27% of all businesses. Other common referral/information sources included from a Local Authority (21%), from another business support organisation (16%) and directly from the Project Team (15%).
- 9.3 Very few businesses stated they heard about the programme from direct web search or social media which demonstrates the importance of utilizing direct marketing and intermediaries to engage with businesses in any future programme.

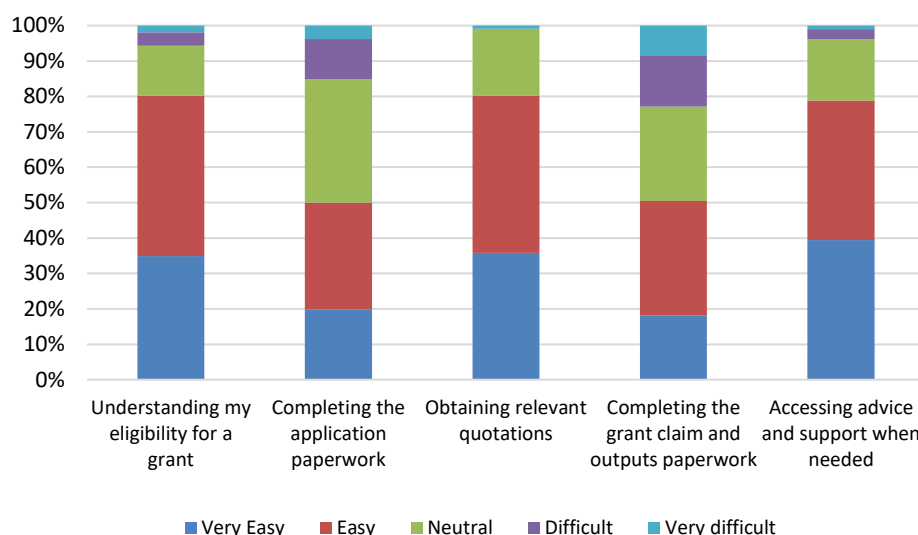
Chart 9.1 Referral sources onto the Digital Innovation Grant programme



Source: Digital Innovation Grant Programme Business Survey (2023)

- 9.4 As shown in chart 9.2 below, businesses generally found the processes involved with the Digital Innovation Grant programme relatively easy to engage with. Almost 80% of businesses found understanding their eligibility for a grant easy or very easy, with a similar amount finding the process of obtaining quotations easy or very easy and also accessing advice when needed.

Chart 9.2 Ease of process for the Digital Innovation Grant programme



Source: Digital Innovation Grant Programme Business Survey (2023)

- 9.5 Over half of all business found completing the application paperwork easy or very easy and a similar proportion for completing the grant claim and outputs paperwork. This is considerably lower than the other aspects of the programme and 15% and 22% found these two processes difficult or very difficult respectively.

“The staff in the support team at Barnsley Metropolitan Borough Council were helpful and prompt and kept me on track with the various stages of the process.” Sheffield based business.

“We got excellent advice and support from the team, who helped us in putting forward our application.” Sheffield based business

“We would just like to thank the team at Barnsley Council for giving us the initial detail on the grant availability. We found their input and advice very helpful. The whole process was easy and will be huge help for the progression of our business.” Barnsley based business

“On the whole easy to complete the application process once I understood the online processes.” Doncaster based business

“We think it's a very useful fund to help business adapt to new technologies and growth industries.” Sheffield based business

“Great grant, just wish we'd known about it sooner than we did. Friendly staff and supportive.” Rotherham based business

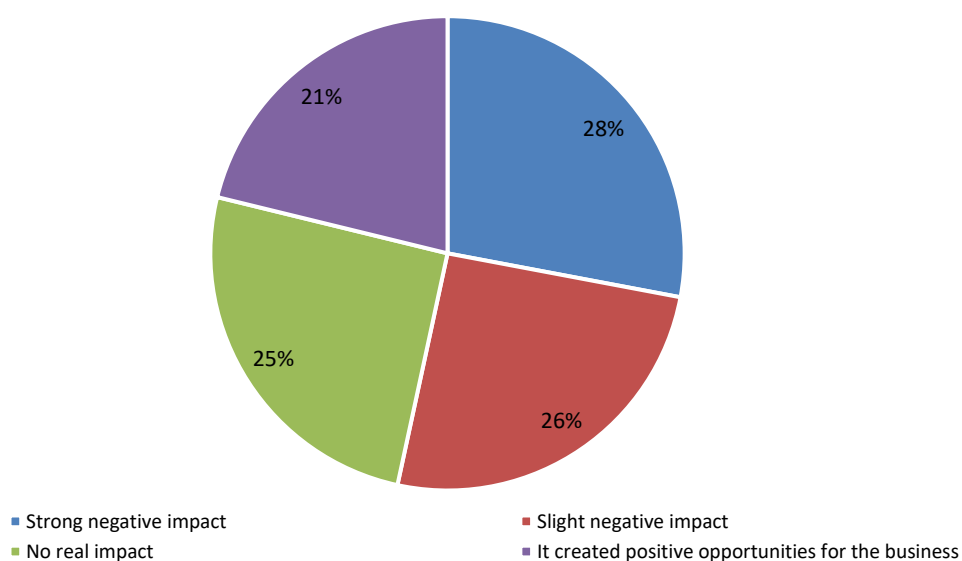
Grant Processes

- 9.6 Overall, businesses found the processes within the Digital Innovation Grant relatively straightforward and, where there was some difficulty experienced, most businesses understood the reason for this or were able to get support from either the team at Barnsley Metropolitan Borough Council or another Local Authority.
- 9.7 There were some wider comments and feedback from businesses relating to the process that could assist with the design and development of future schemes. These include:
- Allowing electronic signatures rather than scanned wet signatures as part of the certification process
 - Whilst the grant amount was capped at a maximum, it was felt a higher or no ceiling for total project costs would have been useful
 - Some information in the application was deemed as repetitive
 - Sometimes the process was deemed overly long for the smaller grant awards
 - There were sometimes issues with saving progress
 - Some bank statements did not provide all the eligible information required
 - The online portal was not always compatible with mobile devices
 - An online 'guidance and tips' video would be helpful
 - It was useful to know the detailed approval timeline to help businesses prepare for making a purchase given supply issues

Future Support Needs of Business

- 9.8 The economic context and change within which the Digital Innovation Grant programme had to operate has had a significant bearing on both the offer of the programme and also what businesses are likely to require in the digital technology and innovation space going forwards.

Chart 8.5 Impact of COVID-19 on the business



Source: Digital Innovation Grant Programme Business Survey (2023)

- 9.9 As part of the survey process, businesses were asked what the impact of COVID-19 had been on the business. As shown in Chart 9.3 overleaf, the impacts of the pandemic on businesses that the Digital Innovation Grant has been working with have been considerable. A combined total of 54% of businesses cited a strong or slight negative impact – although for one in five businesses the pandemic had created positive opportunities.
- 9.10 As part of the businesses survey, businesses were asked to identify what they see as common growth opportunities and barriers to achieving growth. Businesses tended to answer this question with a digital slant. For many businesses, e-commerce and e-learning were seen as clear to generate additional customers, revenue and passive and recurring income.
- 9.11 However, some businesses were seeing a growing challenge being heard above the noise in areas such as Search Engine Optimisation and Social Media marketing and the cost of acquiring each new customer from these mediums was increasing in effort and unit cost.
- 9.12 There was a general desire to invest more in technology, but an acknowledgement of the costs and technical expertise that are required to do this. Many businesses are still suffering with impaired balance sheets since the COVID-19 pandemic and are not in a position to make the required level of investment. For some micro-businesses, they simply do not have the turnover to justify significant investment in digital technology.
- 9.13 The use of digital solutions was helping businesses to diversity into new markets and develop new products, including product aftercare, financial services, upselling and engaging either new customer cohorts or exporting.
- 9.14 Digitising systems for some of the larger businesses was a key route to future growth, linking suppliers, finance, accounts, logistics and sales through one system, for example such as a CRM or ERP system. An additional use of data central to many business's growth strategies.
- 9.15 Several businesses cited the utilisation of digital technology to help to bring production and processes back in house that had previously been outsourced to have a greater control over supply chains in terms of turn around times, control over quality and to increase profitability.
- 9.16 The labour market and challenges in recruitment were cited as significant barriers to growth, but what seemed to be more challenging in the digital sector is retention when staff are contractors rather than salaried staff members. However, the opportunities for recruitment were frequently global for specific areas of expertise – so businesses frequently came up against either trade or immigration barriers. The increasing ability to work remotely was helping mitigate local skills shortages.

- 9.17 Of equal importance was skills development and training for current staff members, many of whom were having to adapt to increasingly digital ways of working and the skills they required was changing rapidly.
- 9.18 Other major barriers to growth were more generic and included availability of finance and funding, availability of premises and navigating a cost of living crisis.

Project Team Perceptions

- 9.19 The Summative Assessment has engaged with key project staff to obtain their views on the processes, impacts and any lessons learnt for future programmes.
- 9.20 One the biggest challenges facing the programme were the delays in launching the fund due to negative impact of COVID-19. This had created significant pressure to commit and defray expenditure in a much shorter timeframe than envisaged.
- 9.21 Despite these challenges, the programme has managed to commit all of its resources as of the end of December 2022, at which point the programme closed to new grant applications.
- 9.22 Providing a grant scheme specific to helping businesses to invest in digital technology was deemed as a much needed tool in the business support portfolio across South Yorkshire. The grant amounts, up to £5,000, made it accessible to smaller businesses but also offered a meaningful intervention.
- 9.23 The grant fund was well received by businesses, offering small amounts of investment to help businesses adopt a range of digital solutions to improve the business performance. This project filled a gap in the business support and finance offer in South Yorkshire, allowing businesses to make small revenue and capital investment in digital hardware, software and consultancy. This was often harder to do in more general business grants that may have more of an emphasis on capital equipment or a strong focus on job creation. The online application process had been successful and had made the process easier at the front and back end.
- 9.24 Where businesses had larger digital projects than £10,000 they were referred to the South Yorkshire Business Productivity Programme (also managed by Barnsley MBC) which could entertain grants of up to £12,499 against a maximum project cost of £24,999. However, the criteria against which businesses were assessed was different and the process including undertaking a productivity diagnostic.
- 9.25 Another major difference between the two programmes was the Business Productivity Programme had the assistance of an advisor team to vet and support projects (as did some of the comparator projects highlighted later in the section). This level of support was not available to the same extent as the Digital Innovation Grant programme, and it was felt the rejection rate of applications and the quality was sometimes poorer and as a result needed more time from the Project Team to bring applications up to an appropriate standard and to make sure claims were delivered with the appropriate evidence.

- 9.26 Many businesses, even after receiving a grant, were still only using a small proportion of the potential technology could offer them and there was still deemed to be strong demand for an investment fund to help businesses to increase their use of digital solutions.
- 9.27 As businesses increasingly looked to technology to support their business growth, a lack of digital skills is beginning to act as a drag. This is in terms of existing staff being able to adapt to new systems and process and businesses being able to recruit new and additional staff with the required skills. The shortage has been exacerbated by the pandemic and its legacy.
- 9.28 There is a growing importance to link business growth to the provision of digital skills and workforce development support. The link between the Digital Innovation Grant and the Advancing Digital skills programme was something that could have been more integral to the programme and if the programme had been Adviser led – it may have been something that could have been more routine.

Comparator ERDF Programme, Cambridgeshire Digital



The Connecting Cambridgeshire Digital Technology Grants for Business has been a part funded ERDF grant scheme to support businesses based in Cambridgeshire and Peterborough to grow or sustain their business through deploying digital technology. The project was awarded £704,494 of ERDF investment which represents a 50% contribution towards a total project cost of £1,408,985.

The aim of the project was to support Cambridgeshire and Peterborough businesses to develop their resilience, survive and grow during and coming out of the COVID-19 pandemic. The project started in December 2020, with a completion date of 31st March 2022 and the grant offered businesses a grant of between £2,000 and £10,500 to cover up to 80% of their total project costs.

The project met all of the main targets, exceeding its targets. This included meeting a target for supporting 32 businesses to access broadband speeds in excess of 30mbps. The programme is anticipated to have supported the creation of 154 net additional jobs, and supported an increase in GVA of over £4.8m per annum.

In terms of the objectives of the programme, it is clear that the scheme supported businesses through the difficulties of the COVID-19 pandemic, facilitating distance and home working, online engagement of suppliers and customers and the development of new processes. A number of businesses have also reported they are now well positioned for future growth and can access new markets with new products and more efficient and productive ways of working.

Comparator ERDF Programme, Leeds Digital Enterprise



The Leeds City Region Digital Enterprise programme aims to help eligible, growth focused businesses, based in the Leeds City Region, to scale up and achieve digital transformation. The overall project budget between 2016 and ending in 2023 is £21m, with a 50% ERDF intervention rate. The programme has had many similarities with the Digital Growth Programme.

The project has had three key strands for businesses to interact with which are:

The Digital Knowledge Exchange (delivered under contract by Umi Group) running a series of short workshops, demonstration events and conferences. Where the programme differed from the Digital Growth Programme is through the offering of remote digital marketing audits and health checks of businesses and managing the Digital Top 100 campaign to showcase and celebrate Leeds City Region's most innovative, digitally mature and transformational digital businesses.

A Digital Growth Voucher, similar to the Technology Grant, offering a variable intervention rate (usually around 50%) towards projects between £2,000 and £12,500 and a Connectivity Plus Voucher of between £1,000 and £3,000 towards the cost of an upgraded broadband connection over 30mbps. Initially, businesses were only allowed to access one strand of the programme, but this was relaxed as the programme was extended. Grants were initially issued to businesses in phased application windows, but the extension to the project has utilised open application processes which were deemed more relevant to businesses, especially during the COVID-19 pandemic.

The Digital Enterprise programme also recruited a team of Digital Growth Advisers, who offered support to businesses applying for vouchers. Ultimately much of this resource became entrenched in delivering the vouchers, but the Advisers did offer 1-2-1 sessions and offered drop in advice at some of the larger programme events.

The continuation of the Digital Enterprise programme (DE2) has placed a stronger emphasis on supporting businesses with access to faster broadband through a specialist Digital Business Adviser. The programme has also relaxed some of the constraints on accessing businesses support and receiving a grant.

Comparator ERDF Programme, LLEP Digital Growth Programme



European Union

European Regional
Development Fund

The Digital Growth Programme was a £9.32 million revenue programme, part-funded by the European Regional Development Fund (ERDF), which provided dedicated support to eligible, growth focussed enterprises located in Leicester and Leicestershire. The programme offers a range of advice, seminars, workshops and the award of Technology Grants.

The programme lead partner and accountable body for ERDF is East Midlands Chamber, facilitating a partnership between the Leicestershire County Council, Leicester City Council and the LLEP Business Gateway Growth Hub.

The project has aimed to fill a market gap in the business support offer within the Leicester and Leicestershire area - ensuring local businesses have access to the information, support and investment needed to grow, develop their digital capabilities and to ensure they well positioned to take advantage of emerging technologies to underpin their long term business growth.

Digital Technology Grants helped businesses to introduce new systems and software - with the overall aim of improving business performance and productivity.

Businesses could secure up to 40% of the investment a digital project's costs up to a total of £16,000 grant (with a minimum grant of £2,000). Over a second phase of the project, the intervention rate reduced to 35%.

A business's journey' through the programme started by being either directly referred (by a team member, Digital Business Adviser or partner organisation) or self-referred through the project website. The LLEP Business Gateway (Growth Hub) and partner websites act as 'gateway' portals, hosting a variety of information about the Programme and redirecting businesses that are looking to book an activity or apply for a grant.

- 9.29 Three similar comparator programmes have been identified to contrast the Digital Innovation Grant programme against, the Leicester and Leicestershire Digital Growth Programme, Connecting Cambridgeshire Digital Technology Grant for Business and Leeds Digital Enterprise programme. One of the key lessons from these programmes has been the benefit of having a programme supported by a specialist Adviser team to inform businesses as to how best to deploy digital solutions in the business, to run low level business engagement activity and workshops and to network and build a strong project pipeline.

10 Business Case Studies

Case Study: Bullion Chocolate Makers



Bullion Chocolate are a bean-to-bar craft chocolate food manufacturer based in Sheffield. Business founder Max Scotford approached the team for a Digital Innovation Grant to help the business to diversity coming out of the COVID-19 pandemic.

Many of the retailers that the business supplied closed during COVID-19, so the business took the decision to move more sales online. The business decided to develop a virtual gift shop as part of the website functionality, so sales direct to the public could be achieved.

Max applied for a Digital Innovation Grant to build a 'gifting' functionality to the current website.

"We are in a world now where everything is digital and as a business we need to be able to adapt and access that. We wanted to tap into expertise that we otherwise wouldn't have been able to."

The 'gifting' component of the website very quickly became around 60% of all our website traffic and the business has now a new sales channel.

"The support we received was massive. It's a super easy process to apply for. There is nothing wrong with asking for a helping hand every now and again."

Case Study: Yorkshire Academy of Modern Music



The Yorkshire Academy of Modern Music, based in Barnsley, provides private tuition to people of all ages in guitar, bass and ukelele, delivered through a bank of music tutors.

The business applied for a Digital Innovation Grant to move into new areas.

Director Liam Linley said:

"We needed funding to purchase equipment. We filmed an online course in how to start a music business that we had been developing."

The course has helped the business to access the business to business market, whereas previously they just worked directly with customers. After completing the filming of the course, we will use the equipment to help other businesses to develop online courses, podcasts and various other activities.

"As a business we didn't think we would get the Digital Innovation Grant, but we did and I am so glad. The process of applying for a grant was really easy. It has opened up loads of new areas for us and has helped us to offer services to customers outside of the Barnsley areas."

Case Study: Rolley Limited



Rolley Ltd are a specialist software developer based at the Digital Media Centre in Barnsley with a focus on 3D on the web, virtual reality, augmented reality and games technology. The business is a new start, founded in February 2022.

Chief Operating Officer Dan Barrow said of the Digital Innovation Grant:

"We were recommended the grant by Enterprising Barnsley. We wanted to use the grant to push some of our more innovative services."

With the grant, Rolley Ltd purchased two new development machines with a higher processing power that could undertake more high quality 3D visual work, rendering, creating and processing in much a faster time.

Co-founder Matt Rollison stated:

"We went for the grant as we really see the potential in augmented and virtual reality. We can reach more potential customers including in the manufacturing and engineering space and in the USA."

"The technology is cutting edge and the grant has helped us have a head start on our competitors. It really has allowed us to reach places we didn't think we'd be able to reach."

Case Study: HJC Design



HJC Design are a Sheffield based Industrial Design Consultancy, working from concept designs through to fully formed parts and products. The business works with start-up businesses through to international clients.

Director Matthew Conley stated:

"We became aware of the Digital Innovation Grant through online advertising and it was a good fit for us as it helped to bridge a funding gap to purchase a 3D printer"

The business undertakes development work and the printer will enable HJC to enter new markets with new and exciting product that range from flexible silicon based materials through to structural and rigid materials.

Matthew said

"The scale and size helps our clients to develop products a lot more rapidly so it gives us more of an edge in the market. It reduces our lead times and increases our productivity."

The Digital Innovation Grant is a great scheme for businesses with a plan that are wanting to take that next step."

Case Study: Harvey Morton Digital



Harvey Morton is a digital marketer, public speaker, writer and podcaster based in Sheffield. Harvey applied for a Digital Innovation Grant to help to redesign his website. Harvey said:

"The process of applying for the grant was straightforward, even though it was the first time I had applied for a grant. The application team were helpful and always quick to respond to any enquiries."

The redesigned website now offers an e-commerce option that Harvey wishes to use as a platform to sell e-learning and digital marketing courses. This will help to future proof the business and help Harvey to develop more off-the-shelf solutions for businesses.

Harvey said since the grant:

"Turnover has definitely increased as has traffic to the website. Feedback from customers has been really good. It has meant I can now provide a range of opportunities to other freelancers in the field."

11 Conclusions and Lessons Learnt

- 11.1 The South Yorkshire Digital Innovation Grant programme has found to have been a well-managed and implemented programme and has demonstrated it has made a real difference to digital transformation, business growth and productivity across a range of different business types within South Yorkshire
- 11.2 Although at the time of completing the Summative Assessment, the programme is behind profile, at its conclusion, the project is anticipated to be largely within 10% of its contractual outputs. Considering the impact of the COVID-19 pandemic, many businesses struggling to cashflow even small grants and a range of supply chain issues all affecting uptake and delivery of grant funded projects, this is a very good outcome. The project has achieved this and offered good value for money.
- 11.3 The programme had a focus on supporting businesses to invest in their digital infrastructure and to utilise more digital solutions in the operation of their business. Within the business survey, 80% of businesses identified a positive or very positive impact on their ability to use digital solutions to access new customers and markets, which in turn almost 80% of businesses cited improvements in their productivity and profitability.
- 11.4 Businesses reported a broad range of outcomes of the investment including enabling more remote working, improving business resilience through to improving the environmental performance of the business.
- 11.5 These factor shows the Logic Model has remained relevant through the entirety of the programme and despite significant socio-economic changes including COVID-19 and more recently the impacts of the war in Ukraine.
- 11.6 The survey results also demonstrated across all levels of technical ability, businesses were able to progress forwards with the role they see digital solutions playing in the business. One in five businesses stated the impact of the programme had been transformational for the business.
- 11.7 Businesses themselves have had positive experiences of the processes involved in securing and receiving support, citing the relative ease of engaging with and accessing support. Whilst there were niggles with the amount of paperwork required, a relatively standard response to all ERDF grant funds, the online application process had worked well.
- 11.8 Using a wider assessment of employment opportunities created, a total of 116.6 gross additional positions are likely to be created, with a net total of **109.6 net additional jobs** attributable to the Digital Innovation Grant programme. This is likely to be an underestimate.

- 11.9 Based on this net increase of 109.6 jobs, it is estimated this increase in employment would result in an increase in Gross Value Added across South Yorkshire of £5.46m per annum and over a five-year period should create a net economic return of £12.83 for every £1 invested **and £17.96 for every £1 of ERDF invested.**
- 11.10 Most of the lessons learnt related to the programme are positive lessons due to the relative success of the programme, its achievements in nearing its targets and the impact it had on businesses.
- 11.11 The findings of this Summative Assessment will be incorporated into the wider Business Productivity Programme UK Shared Prosperity Fund project which will include a focus on supporting productivity through digital transformation.
- 11.12 The inclusion of the programme within a wider investment programme will mean there is access to a team of Advisors who can help businesses identify their priorities, develop their projects, help them to identify how to improve productivity and then translate this into a quality submission for investment. This is something that the Digital Innovation Grant programme did not have proper access to previously.
- 11.13 The transition away from ERDF eligibility rules and process should allow the programme to engage a broader section of businesses, including some that are more active in business to consumer markets and should allow some process level improvements to make the application process easier.
- 11.14 One of the key areas of wider support that would be beneficial to integrate into the programme was to build a link between investment in digital transformation and supporting businesses to build their digital skills and help with workforce development and recruitment, which has been identified as a significant challenge.

Appendix A – ERDF Summative Assessment Table

Indicator	Targets		Performance at Time of Evaluation		Projected Performance at Project Closure		Overall Assessment
	Original	Adjusted (if relevant)	No.	% of Target	No.	% of Target	
Revenue Expenditure (£m)	£2.668m	£2.668m	£1.461m	54.7%	£2.131	79.8%	
C1: Number of Enterprises Receiving Support	250	250	154	61.6%	233	93.2%	
C5 Number of new enterprises supported	40	30	1	Neg	11	36.6%	
C29 No. of enterprises supported to introduce new to the firm products	250	150	111	74%	148	98.7%	

Appendix B – ERDF Summative Assessment Table

Digital Innovation Grants

Click on the arrows to navigate around the model. Tables can be edited directly in the model. To edit free text, click Edit under each title

Context

[Edit](#)

DIG is a demand led grant scheme designed to help small and medium sized businesses to develop their use of digital technology. By exploiting the digital technologies, businesses can access new markets, promote their products and services more effectively and develop new cost effective ways of working. Examples of activity that could be undertaken via the grant scheme could include,

- Purchase advanced technology to progress the business product line/expand operations/change business processes
- To support R&D for the above
- Purchase specialist consultancy support to enable the above
- Fund internal ICT solutions, e-commerce platforms, websites, use of cloud storage solutions and digital management

Information Communication and Technology is a cross cutting theme across all SCR Growth Hub activities and an important driver for business growth and the delivery of more highly skilled jobs. inward investment, overseas trade and the positioning of the City region in global supply chains and most importantly increased Gross Value Added.

Market Failure Assessment

[Edit](#)

The 2017 Industrial Strategy identifies investment in 'digital' as an enabler of growth in productivity and industries and across the UK. The SCR IER (Independent Economic Review) has highlighted a productivity gap within the SCR, which this project will seek to address. This is evidenced, not only by lower proportions of higher skilled workers, but the lower average wages overall. The SCR IER identifies strengthening innovation support in the City Region and taking forward key initiatives like DIG will contribute to stronger economic growth. The Resolution Foundation report "Forging ahead or falling behind" highlights low productivity is one of the main reasons why pay is lower in the Sheffield City Region. Productivity, as measured by output per hour worked, is 17 per cent lower in the region than the UK average, and it is the lowest of all city regions. Looking at productivity across sectors within the Sheffield City Region we find that many are less productive than the English average. In particular three sectors stand out for being relatively large employers and significantly contributing to the region's productivity deficit: manufacturing, office administration, and retail and wholesale all stand out. It is therefore essential for South Yorkshire to deliver the transformation growth recorded in its growth plan, will therefore require South Yorkshire to have the necessary complementary packages of grant support packages available to help unlock economic growth through digital transformation and innovation.

Project Objectives

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The scheme will enhance the digital capabilities of SMEs by raising the confidence of SMEs in using digital technology and will support them to increase their levels of productivity and competitiveness to achieve business growth. All existing and potential new businesses in South Yorkshire should be equipped with the knowledge and understanding of what the benefits and opportunities of using digital technology, enabled by superfast broadband, can bring and are encouraged to be creative and innovative in its adoption.

Rationale

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The specific objectives of Investment Priority 2b is "Developing Information and Communications Technology products and services, e-commerce, and enhancing demand for Information and Communications Technology". The project therefore provides an effective vehicle for businesses to access funding to be able to invest and develop new products and services pertinent to this call. A specific element of the P2b call is to develop Innovation Vouchers - to support SME's with access to advice and guidance to determine and purchase the most appropriate ICT technologies required for growth. The DIG project will act as the catalyst to open up opportunities for growth as new technology can be introduced. This will ensure that Sheffield City Region becomes a connected region and is able to realise increased growth potential. The project will be closely aligned to existing support provision such as the Growth Hub, Launchpad and Sheffield Hallam Innovation Partnership to ensure that the businesses have the appropriate access to the wider SCR business support network.

Inputs

What	Value
ERDF	
Public Match	
Private Match	
ESIF Rate	
Delivery Partners	
Staff FTE	

Intended Impacts

What
Gross GVA
% proportion of SME's that are 'innovation active'
% of growth of SME's and entrepreneurial culture

Outcomes

ID	Intended Outcome	How is it Measured?	Level	Baseline	Actual
1	New Processes / business models	Data collection form			
2	Changes in company turnover and employment	Data collection form			
3	Increase business survival rate	Observe Outcomes in official data sets			
4	Improved productivity	ONS Productivity Tool			

Outputs

What	Value
ER/C/O/01 Number of enterprises receiving support,	
ER/C/O/29 Number of enterprises supported to	
ER/C/O/05 Number of new enterprises supported,	

Activities

What
Digital Innovation Grants