

Scrutiny of Innovation

April 2007 - Scrutiny 10



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Foreword

When the Assembly first reviewed innovation as one of three themes in the 'Northern Way Opportunities' scrutiny, we anticipated that a review on 'Innovation' would be relatively straightforward. As it turns out, this review has been far more challenging than that.

The review acknowledges the good work that Yorkshire Forward and its partners have done on innovation development, and there is a positive story to tell about some of the innovation initiatives that Yorkshire Forward has funded. There is more work to be done though.

The word 'innovation' in itself can be confusing to businesses, and the review has identified areas where businesses are unintentionally discouraged from engaging in innovation practice. The recommendations made by the Scrutiny Board are based on a single principal: improving access to practical advice and support on innovation for all businesses.

I would like to thank my colleagues on the Assembly's new Scrutiny Board, and the Yorkshire Forward Panel, for their time and commitment to this scrutiny review. I would also like to thank partners and businesses from across the region for their valuable contributions to the debate on innovation activity and innovation support in Yorkshire and Humber.

A handwritten signature in black ink, appearing to read 'Paul Jagger'. The signature is fluid and cursive, with the first name 'Paul' being larger and more prominent than the last name 'Jagger'.

Paul Jagger

Deputy Chair of Yorkshire and Humber Assembly

“At our Annual General Meeting in July 2006, members approved the new structure of the Assembly, and agreed the creation of a number of boards, including the formation of a dedicated Scrutiny Board.”

Assembly’s Scrutiny Role

The Yorkshire and Humber Assembly has a statutory responsibility to scrutinise how Yorkshire Forward spends its money. Each year we undertake detailed scrutiny reviews on a specific part of the Regional Economic Strategy. The purpose of these reviews is to ensure that Yorkshire Forward is accountable to the region, and that it is achieving the best possible results for the region’s economy.

Since 2001, we have completed nine scrutiny reviews on behalf of the region. These reviews were similar to the ‘select committees’ used by Government, and involved the gathering of evidence and a Public Hearing. Each scrutiny review was also undertaken by a different panel of individuals, who were brought together to oversee that review.

At our Annual General Meeting in July 2006, members approved the new structure of the Assembly, and agreed the creation of a number of boards, including the formation of a dedicated Scrutiny Board. The Scrutiny Board is a standing panel, consisting of eight Assembly members. This review on innovation is the first to be undertaken by the new Scrutiny Board.

We have used a number of methods to obtain the views and comments of partners and businesses across Yorkshire and Humber on the subject of innovation. These methods have included a Public Discussion with Yorkshire Forward, a series of consultative interviews with partners and businesses, and written requests for questions and comments. However, in order to encourage more people to get involved in the scrutiny process, we have also piloted the use of an online forum where partners were given the opportunity to comment on the draft scrutiny report, and innovation in general, and share their views with others.

If you would like to know more about the online consultation, or any other aspect of the process used in this review, further detail can be found in the ‘Scrutiny’ section of our website <http://www.yhassembly.gov.uk>.

Assembly's Scrutiny Board

Paul Jagger MBE, Chair

Deputy Chair of Yorkshire and Humber Assembly

Paul is the Deputy Chair of the Yorkshire and Humber Assembly, and Chair of the South Yorkshire Learning and Skills Council. Paul was the Regional Secretary for TUC, Yorkshire and the Humber until November 2005. He is Pro Chancellor and Chair of Council at Bradford University, President of the Sheffield Chamber of Commerce, Chair of Knowledgebaseuk, and a representative on the Sheffield Local Strategic Partnership. Paul is the Chair of the Yorkshire and Humber Assembly Scrutiny Board.

Bill Adams

TUC Regional Secretary Yorkshire and the Humber

Bill is the Regional Secretary of the TUC for Yorkshire and the Humber. He has worked for the TUC since 2000. Bill graduated in 1993 from the University of Central Lancashire after reading Law. He is a Governor at the Northern College, a director at the Open College Yorkshire and Humber, and a member of the Regional Skills Partnership Board and Energy Review Committee.

Naheed Arshad-Mather MBE

BME Regional Panel

Naheed is Chair of the BME Regional Panel. Naheed is a self-employed consultant with 18 years of lecturing experience in Higher Education. She is Chair of the Unity Housing Association in Leeds, Magistrate Chair on the Huddersfield bench, and Independent Chair of Kirklees Social Services Complaints Panel. Naheed is a National Executive Council Member of the University and College Lecturers union NATFHE (now CUC). Naheed is also on the parliamentary BME Task Force on Representation.

Frank Carter MCIT AMIRTE

Yorkshire and Humber Chambers of Commerce

Frank was the president of Yorkshire & Humber Chambers of Commerce and a past president of Barnsley Chamber. Frank has held a number of middle and senior management roles in engineering. In 1987 he became Chairman and Managing Director of the Yorkshire Traction Company, and went on to form the Traction Group of bus companies, which he sold in December 2005.

Cllr. Philip Dobson

Wakefield Metropolitan District Council

Phil is the Deputy Leader of Wakefield Council and Cabinet Member for Regeneration, representing Wrenthorpe and Outwood West. He is a member of the Labour Party.

Cllr John Harris

Richmondshire District Council

John is a Liberal Democrat elected member for Richmond Town, and Chair of one of the Council's two scrutiny committees. He is a Board Member of the Richmond Swale Valley Community Initiative (RSVCI), which is a local economic partnership. As an appointed General Commissioner, John is a member of an arbitration panel relating to Income Tax.

Cllr Shelagh Marshall

Public Health

Shelagh is County Councillor for Mid-Craven. She is a member of the Regional Health Executive Forum and is the nominated representative for Public Health on the Assembly. Shelagh is Chair of the Regional Forum on Ageing, and a member of the Regional Rural Affairs Forum. She has recently become a member of the Age Concern National Council.

Executive Summary

This scrutiny review has considered innovation activity and support for innovation in the Yorkshire and Humber region. The Scrutiny Board chose to look at three areas in the review; Existing Innovation Activity, Non-Technological Innovation and Barriers to Innovation.

Existing Innovation Activity

The Scrutiny Board looked at the level of Yorkshire Forward's financial investment in innovation support, how businesses access the various innovation initiatives available in the region, and which programmes had provided the most value.

Yorkshire Forward has identified seven high-growth and technology sectors that it will financially support with £6.1 million in 2006/7. These key clusters are appreciated by industries, who value the focus given to their sector. Yorkshire Forward is reporting above the rate of national average growth for some of the key clusters, so they are yielding benefits for the region.

Approximately 20% of the funding for innovation is invested in projects that seek to develop and improve the way that higher education institutions work with businesses. Partners consulted through the review feel strongly that the region's innovation activity relies too heavily on universities. Although the region's universities have one of the strongest reputations in the UK for research and development, only 8% of the region's companies have links with higher education institutions. This low rate indicates that the region's universities are not being exploited by businesses. The Scrutiny Board recommends that Yorkshire Forward and its partners compare the region's research and development links with businesses to other regions and look to raise the regional rate to at least the national average.

Yorkshire Forward funds two research and development grant schemes for businesses from the key clusters. The Yorkshire Forward Industrial Research and Development Awards (YFIRD) scheme, will provide £18.5 million to large companies between 2006 and 2009, and is currently supporting 19 companies. The Grant Research and Development (GRD) scheme provides financial support to small and medium sized enterprises (SMEs) and will spend £3.2 million in 2006/7. A total of 61 SMEs are currently receiving grants through the GRD programme, although the significant demand for grants through the programme exceeds the funds available. The Scrutiny Board recommends that Yorkshire Forward considers expanding the eligibility criteria for the YFIRD scheme to provide grants to both medium and large sized businesses to help address the demand for grants.

Yorkshire Forward has funded the creation of 14 Centres of Industrial Collaboration (CICs) through an £11 million initiative. The CICs are related to the key clusters and they link businesses of all sizes, to the knowledge and expertise of the region's universities. Since their launch in 2003, the CICs have delivered 1,400 jobs to the region and brought over £30 million in research and development funding into the region.

Knowledge RICH is a 'matchmaking' programme which allows companies to search for knowledge and expertise on a specific subject through a search engine. Knowledge RICH has successfully matched 97 businesses to higher education institutions. The new phase of the programme was launched in January 2006, with a budget of £2.5 million budget over a two year period. The Scrutiny Board recommends that the outcomes and impact of Knowledge RICH are monitored and publicised.

Partners consulted during this review were generally supportive of the Regional Innovation Strategy. However partners commented that the strategy should have been more clearly structured, and written in such a way that it could be more easily understood. The strategy is also deemed to be heavily focussed on technology and high growth companies, and is not considered to be a document which all businesses can relate to. Yorkshire Forward acknowledges that business support needs to be improved. Following their recent review of

business support, from April 2008 business support will be delivered through the 'single gateway'. The gateway will be a regional call-centre offering telephone, electronic, or face-to-face support 24 hours a day. Although the single gateway should help to address the concerns raised by partners on the current structures for business support, it is unclear as to whether support on innovation will be accessed through the single gateway. The Scrutiny Board recommends that Yorkshire Forward should incorporate all providers of general business and specialist support on innovation into the single gateway, so that consistent and timely advice can be provided to all businesses, from all sectors. The Scrutiny Board also recommends that Yorkshire Forward develops a User Guide for Innovation that clearly explains and simplifies the range of support available from all partners on innovation, and where and how, businesses access it.

Non-Technological Innovation

The Scrutiny Board looked at the level of innovation support available for businesses that were not in a high-growth or technology sector, and how the innovation activities of these businesses were captured and recorded.

Whilst Yorkshire Forward is by no means the only funder of innovation activity in the region, there are other ways that Yorkshire Forward can impact on the levels of innovation within the region, rather than just through the provision of financial support, and on the delivery of the high-level Government Public Service Agreement (PSA) output targets for innovation. The current statistics available on innovation activity in the region are based on the PSA outputs targets, and they do not provide a clear indicator of actual levels of process and product innovation within businesses. It is therefore evident that there needs to be a better understanding of the exact levels of innovation in the region, and that this will only be determined if other measures are used in addition to the data recorded against the PSA targets. The Scrutiny Board recommends that Yorkshire Forward works with partners to develop a new mechanism for measuring levels of innovation activity in the region, to enable the innovation practices of businesses in all sectors to be captured.

Partners are concerned by a lack of innovation support for SMEs that are not part of a key cluster group. Whilst business support professionals have given examples of how businesses are changing the way that they produce and deliver their goods and services, this innovation activity is not recorded unless the SME is in a high-growth sector or key cluster. The Scrutiny Board recommends that Yorkshire Forward should use its position of influence over the delivery of innovation support, to make innovation more easily comprehensible and accessible for all types of businesses and identify how they can record the innovation activities of all SMEs with the potential for growth to encourage other SMEs to invest in innovation.

As Yorkshire Forward does not separate business support for Black and Minority Ethnic (BME) businesses from mainstream business support delivery, it was difficult for the Scrutiny Board to distinguish the level of innovation support for BME businesses. Yorkshire Forward completed a research study in 2006 that assesses the impact that migrant workers can have on the regional economy. As the report was only recently completed, it is unclear at this time as to what strategies will be put in place to harness the skills of new migrants. The Scrutiny Board recommends that Yorkshire Forward develops a process for monitoring the impact of its initiatives on BME businesses and identifies a strategy for supporting the entrepreneurial talents of new migrants.

Partners recognise that new community and social enterprises are start-up businesses like in any sector, but have questioned the amount of financial and advisory support available to these enterprises who can deliver services in innovative ways. The Scrutiny Board recommends that Yorkshire Forward should act as an enabling organisation for social enterprise by capturing examples of innovation practice from social and community enterprises and publicising what has been achieved in communities.

Barriers to Innovation

The Scrutiny Board looked at the reasons why individuals and businesses may not be accessing support for innovation, and considered how these obstacles could be overcome.

Partners are concerned that there is too much emphasis on innovation support for science and technology businesses, with insufficient support for other businesses. This imbalance is creating an obstacle for businesses in other sectors, as they are effectively excluded from the region's facilities and support on innovation. The Scrutiny Board acknowledges the success of cluster policy, but recommends that Yorkshire Forward provides assurance that businesses outside of the prioritised sectors are not marginalised by its cluster approach. It is also recommended that the chosen clusters are frequently monitored and evaluated to allow emerging growth sectors to obtain support.

Although the number of business incubators and managed workspace units for start-up and small businesses in the region has increased rapidly during the last three years, partners have highlighted a lack of grow-on accommodation. It is vitally important that the regional offer of support and facilities for innovation is better than that on offer by other regions. The Scrutiny Board recommends that Yorkshire Forward collaborates with Local Authorities, to create a database of grow-on accommodation for successful and expanding businesses of all sectors.

Partners have reported difficulties in understanding which organisation, and which team within Yorkshire Forward, they need to speak to in order to obtain advice, information and support on innovation. Similar experiences have been reported by businesses when accessing business support from universities. If businesses are to be encouraged and supported to innovate, regional partners need to make it more obvious to businesses about how they can access support.

National statistics show that cost factors are regarded by businesses of all sizes as the main barrier to innovation. Partners are cautious about how accessible and user-friendly the national and regional funding application processes are for businesses, with some being described as lengthy and bureaucratic. There are several loan schemes available in the region, although these are not universally available to all businesses in all areas. The Scrutiny Board recognises Yorkshire Forward's attempts to speed up their project application processes. However, it is recommended that Yorkshire Forward considers how the short application process used to administer its research and development grants can be applied to the application processes of other funds, to ensure that businesses are given swift decisions on the outcome of their application.

Partners and business support professionals have identified the language used to present and promote innovation as a barrier to innovation. The language used to promote innovation needs to be more user-friendly and easily comprehensible, and needs to offer universal appeal to a wide variety of businesses. Higher education institutions should also be mindful of the language that they use in their documents and publications. However, the use of case studies as a key tool for promoting innovation, and encouraging other businesses to innovate, was applauded by partners. The Scrutiny Board recommends that Yorkshire Forward should publicise the successes and good practice of the innovation initiatives more widely, and use comprehensible language in all innovation related publications, their website and all communication with businesses. It is also recommended that case studies of innovation practice should be distributed that are representative of all sizes and sectors of companies from across the UK.

The Scrutiny Board has made a total of 12 recommendations on how innovation in Yorkshire and Humber can be improved.

Background on Innovation

The Department for Trade and Industry (DTI) define 'innovation' as the successful exploitation of new ideas, and a way of increasing the competitiveness and productivity of a business. It is also about raising the potential of businesses to grow.

Innovation has traditionally been associated with new technology or knowledge. However, innovation is also about doing things differently. It can be a new concept, a new process, or simply, something that results in a new product or service. The important point to note about innovation is that it can refer to a business using products or processes for the first time, as well as to products and processes that are completely new to the market. There are five key categories of innovation. These are:

- **Product Innovation** - businesses and organisations either using or developing new, or improved, products and services
- **Process Innovation** - businesses and organisations changing the way that they produce or deliver goods and services
- **Research and Development** - businesses and organisations looking at how to implement changes to their products and services and identifying what changes they could make
- **Organisational Innovation** - businesses and organisations making strategic changes to the way in which the business is organised or structured in order to make the business more competitive and efficient
- **Presentational Innovation** - businesses and organisations changing the way that they market or promote their company and its goods and services

Innovation is a recurring theme of the Regional Economic Strategy, although it is mainly featured under Objective 2: Competitive Businesses. The Government requires Yorkshire Forward to achieve a series of targets with its 'Single Pot' funding, based on Government objectives and the Public Service Agreements (PSA) targets. The Yorkshire Forward PSA output targets that relate to innovation are:

- Number of businesses within the region engaged in new collaborations with the knowledge base
- Number of businesses with research and development leveraged by RDA engagement
- Number of new businesses created and demonstrating growth after 12 months, and businesses attracted to the region (including spin-out companies from universities and research organisations, and social and community enterprises)
- Number of businesses assisted to improve their performance (including business support and advice and guidance on Research and Development)

“Innovation has traditionally been associated with new technology or knowledge.”

“The purpose of this assessment is to identify the wider benefits that the project can offer.”

Yorkshire Forward also has a set of outcomes which it must deliver against. The outcomes relating to innovation are:

- **To foster innovation to develop new markets and products** - the achievement of this outcome is determined by the amount of research and development expenditure in the region, and the number of collaborations between business and higher education institutions
- **To grow business and employment in knowledge based regional clusters** - the achievement of this outcome is determined by the rates of employment, output and productivity in each cluster

In addition to the output and outcome targets, Yorkshire Forward assesses the Strategic Added Value (SAV) for all projects which apply for funding. The purpose of this assessment is to identify the wider benefits that the project can offer. Each project application is assessed on the following three categories of Strategic Added Value:

- Strategic catalyst role or regional economic leadership
- Contribution to broader policy development and intelligence
- Cross-regional partnership

Project applications must state how the project will contribute to the PSA targets, the Regional Sustainable Development Framework, Advancing Together and the Northern Way's objectives.



Introduction

The previous scrutiny of the 'Northern Way Opportunities' identified some concerns about the three Northern Regional Development Agencies' approach to innovation. As a result, it was recommended in the report that 'Innovation' should be reviewed in a future enquiry. This recommendation was welcomed by Yorkshire Forward. Other scrutiny reviews that we have conducted in the past, specifically the enquiries on Skills Policy, Clusters Policy and Public Sector Investment, have also referred to innovation. This scrutiny review has further explored the findings from the previous enquiries, and has considered the range of support available to assist the region's businesses in their innovation practice.

The Scrutiny Board chose to look at three areas of innovation in the review:

- **Existing innovation activity** - mainly concerned with science and technology and support for high-growth industrial sectors
- **Non-technological innovation** - innovation in small and medium sized enterprises (SMEs) and local communities
- **Barriers to innovation** - the reasons why individuals and businesses do not engage in innovation activity

The next three sections of the report look at each of these themes in turn. The conclusions made in this report, and the recommendations made by the Scrutiny Board, are based on statistical data for the region, documents provided by Yorkshire Forward and other organisations, and the comments and views of individuals, businesses and partners from across the region. Further documents on the information gathered during this review, including the supporting information and data provided by Yorkshire Forward and Yorkshire Futures, can be found in the 'Scrutiny' section of our website <http://www.yhassembly.gov.uk>.

“This scrutiny review has further explored the findings from the previous enquiries, and has considered the range of support available to assist the region's businesses in their innovation practice.”

Theme 1: Assessment of Existing Activity

The 'Northern Way Opportunities' review recognised that Yorkshire Forward had funded several successful innovation initiatives, particularly with higher education institutions (HEIs).

The Scrutiny Board wanted to understand the level of Yorkshire Forward's financial investment in innovation support, how businesses access the various innovation initiatives available in the region, and which programmes had provided the most value.

Yorkshire Forward's budget is approximately £365 million per year. In the 2006/2007 financial year, approximately £35 million of this budget will be spent on innovation activity.

Cluster Programme

Yorkshire Forward has now identified seven industrial sector groups that it will work with and financially support (£6.1 million in 2006/7). These groups are known as key clusters and they are Advanced Engineering and Metals, Chemicals, Bioscience, Food and Drink, Digital Industries, Environmental Technologies and Healthcare Technologies. These groups were selected by Yorkshire Forward because they are considered to be those with the potential for high rates of growth, and those which will have the greatest impact on the region's Gross Domestic Product (GDP) and Gross Value Added (GVA) rates, if financially supported.

Yorkshire Forward has recruited individuals from the private sector to act as Strategic Cluster Champions, under a £2 million scheme. The champions provide a link between the private sector and higher education institutions. They advise the universities of the needs of businesses, by providing knowledge and expertise of the industry, which enables the universities to develop and deliver services that these industrial sectors want and need. The champions also help to develop Knowledge Transfer Partnership arrangements between universities and businesses.

A previous scrutiny review on Clusters Policy concluded that Yorkshire Forward's approach to cluster development was commendable, and that it would result in real and lasting change in the region over the long-term. The benefits of prioritising funding on high-growth and technology sectors are being realised as Yorkshire Forward is reporting above the rate of national average growth for some of the key clusters. The networks established for the clusters also appear to be appreciated by industries, who value the focus given to their sector.

‘The Scrutiny Board wanted to understand the level of Yorkshire Forward’s financial investment in innovation support.’





Higher Education Institutions

Yorkshire Forward acknowledges that a significant proportion of the budget for innovation is invested in higher education institutions (approximately 20% for projects that seek to develop and improve the way that higher education institutions work with businesses), as they regard the universities as a key access point for businesses.

Yorkshire Forward sees its role as encouraging businesses to engage with universities, and to provide the resources that will persuade businesses to invest in research and development. However, partners feel strongly that innovation is much broader than this, and that the region's innovation activity relies too heavily on universities.

Only 10% of the region's companies have research and development links with higher education institutions. However, the region's universities have a strong reputation for their expertise in research and development, and they have been identified as exemplars of good practice on the Government sponsored Knowledge Transfer Partnership (KTP) scheme. The aim of KTP is to help private sector companies to access the skills, knowledge and expertise of higher education institutions. Two of the nine national awards for the most successful KTP collaborations, were awarded to York University's chemistry department, and Sheffield Hallam University's environment and development department. The two universities beat-off competition from 298 other KTP collaborations across the UK.

It is evident from the low rate of research and development links, that the knowledge and expertise of the region's universities is not being exploited by businesses. The region's total expenditure on research and development is around £820 million. Over 40% of this amount (£347 million) is spent by the universities. This is almost double the national average rate of 22%. Yorkshire and Humber businesses meanwhile spend only 44% (£382 million) of the region's total research and development expenditure, which is significantly below the national average of 68%. The availability of research and development opportunities for businesses in Yorkshire and Humber are generally regarded as better than those available in other regions, and this is seen as an area of real strength for the region. However, this strength needs to be maximised, as the region's statistics on research and development investment by businesses remain low year on year. It is clear that more effort is needed to encourage businesses to both develop links with higher education institutions, and invest more in research and development. It is also clear that universities have an important responsibility in reaching out to businesses.

Research and Development Grant Schemes

Yorkshire Forward funds two research and development grant schemes which businesses from the key clusters can access to kick-start their innovation activities. The first of these is the Yorkshire Forward Industrial Research and Development Awards (YFIRD) scheme, which provides financial support for large companies

Recommendation 1:

‘Yorkshire Forward and its partners need to look at the region's business expenditure on research and development, in comparison to other regions, with a view to raising the regional rate to at least the national average.’

Recommendation 2:

‘The Scrutiny Board recommends that Yorkshire Forward should consider expanding the eligibility criteria for the YFIRD scheme to provide grants to both medium and large sized businesses to help address the demand for research and development grants.’

employing more than 250 people. The scheme was launched in 2003, and £18.5 million of Yorkshire Forward’s innovation budget for 2006-2009 is allocated to it. It is unusual for a Regional Development Agency to provide financial support to large businesses, mainly due to European legislation on State Aid. However, Yorkshire Forward was granted Government approval for the scheme, due to the poor levels of research and development undertaken by businesses in the region. The scheme is unique to this region in England.

The YFIRD scheme is currently supporting 19 companies. The scheme expects to create 102 new jobs, and safeguard 1,404 others, by March 2007. Due to the amounts of funding that the large companies have to invest in the scheme to part-fund the costs, it is estimated that the scheme will bring in just under £11.5 million of private sector investment by the end of the 2006/7 financial year. This investment by the private sector will help to boost the region’s rate of business expenditure in research and development.

The second scheme that Yorkshire Forward funds and manages is the regional element of the DTI’s national Grant Research and Development (GRD) scheme. This scheme is available for small and medium sized enterprises (SMEs) employing less than 250 people. A total of 61 SMEs are currently receiving grants through the GRD programme, and the programme is expected to spend £3.2 million between April 2006 and March 2007. Yorkshire Forward regards this programme as a success and the significant demand for grants through the programme exceeds the funds available from the DTI.

With £8.25 million of the YFIRD budget being spent on 19 companies in 2005/6 (one quarter of Yorkshire Forward’s 2005/6 innovation budget), it is questionable as to whether the region will obtain more value from the YFIRD scheme, than if Yorkshire Forward were to invest more money in the highly demanded GRD scheme, and allowed SMEs in other sectors to access research and development grants.

Centres of Industrial Collaboration (CICs)

Yorkshire Forward has funded the creation of 14 Centres of Industrial Collaboration (CICs). The CICs are related to the key clusters and they provide a way of linking businesses of all sizes, to higher education institutions, so that they can access the knowledge and expertise of the region’s universities. Examples of how the CICs are helping businesses include advising companies on the design of products and assisting businesses in accessing global markets.

The CICs are similar to some of the Centres of Excellence that exist elsewhere in the UK, although they differ in the fact that they are managed and operated by universities. In order to become a CIC, the universities had to apply and they were required to meet a list of criteria. Yorkshire Forward recognised that it was vitally important to develop the capacity of those universities who were able to demonstrate excellence in research but limited commerciality. The CICs were therefore awarded to assist these universities with the

development of commercial work, and enhance their engagement with businesses. The Scrutiny Board applauded Yorkshire Forward's decision.

The CICs were launched in 2003 as an £11 million initiative. So far, the CICs have made 1,200 collaborations with businesses, delivered 1,400 jobs to the region and brought over £30 million in research and development funding into the region. Whilst some of the partners consulted during this review feel that the CICs are exclusive because they are only available for a minority of sectors, other partners have made favourable comments about the CICs. One particular partner commented that the CICs 'were making universities think like industry'. Yorkshire Forward is closely monitoring the delivery and progress of the CICs, and the Scrutiny Board recognised that where there had been some issues over the delivery in a minority of the CICs, action was taken to successfully resolve the issues.

Knowledge RICH

Knowledge RICH is a 'matchmaking' programme which allows companies to search for knowledge and expertise on a specific subject. The aim of Knowledge RICH is to make it easier for businesses to find departments within higher education institutions who can address their information needs.

The programme was piloted in 2002, and was part European funded as an Innovative Action project. To date, Knowledge RICH has successfully matched 97 businesses to higher education institutions. An external evaluation of the pilot in 2005 identified that businesses wanted face-to-face support as well as an electronic enquiry service. The benefits for higher education institutions were also not promoted sufficiently and their commitment to the programme was not as good as it could have been. The programme was amended to take account of the evaluation findings, and the new service was launched in January 2006, with a budget of £2.5 million budget over a two year period. The Scrutiny Board welcomed the fact that Yorkshire Forward had assessed where improvements needed to be made to the programme, and changed it accordingly.

Innovation Relay Centre

Each region throughout Europe has one Innovation Relay Centre (IRC), and there are 78 IRCs in existence, supported by 239 offices. The centres are there to enable businesses across Europe to link-up with each other and trade their technology. The centres also work directly with research centres and universities, as valuable sources of new technology. Through the centres, businesses can either find a technology which they need for their company, or they can promote a technology that they have developed for other businesses to use. The centres provide a range of free services to businesses including technology audits and advice on intellectual property and licensing. The centres also provide guidance on how SMEs can benefit from European research funds.

Recommendation 3:

‘The Scrutiny Board recommends that Better Deal for Business principles are applied to Knowledge RICH and that the outcomes and impact of Knowledge RICH are monitored and publicised.’

The Innovation Relay Centre for Yorkshire and Humber is based at Beta Technology in Doncaster, following its creation in 1997. In 2002, Yorkshire Forward invested £190,000 in the centre for a three year period, alongside funding from the European Commission and Beta Technology's own resources. Since 2002, the centre has supported over 150 businesses to improve their performance, engaged 48 businesses in new collaborations with higher education institutions and research institutions, involved 12 businesses in European research projects worth over 14 million, and processed 950 expressions of interest from the region's businesses who wanted to trade technology expertise with other businesses.

Regional Innovation Strategy

Yorkshire Science has developed a Regional Innovation Strategy for Yorkshire and Humber, which provides a guide as to how innovation will be developed in the region.

The Scrutiny Board was interested in understanding how Yorkshire Forward intends to take the Regional Innovation Strategy forward, in relation to the regional innovation initiatives. In order to assess how the Regional Innovation Strategy can be implemented, Yorkshire Forward commissioned some consultancy support. The consultant has recommended that there needs to be a consistent approach to the way that higher education institutions handle innovation enquiries from businesses, and that this needs to be based on the principles behind the 'Better Deal for Business' agenda. Yorkshire Forward has also considered how the Regional Innovation Strategy can be implemented through a new Best Practice programme, and how the new model for business support can be used to identify companies with the capacity to innovate at an early stage.

Partners consulted during this review were generally supportive of the Regional Innovation Strategy. However partners have commented that the strategy should have been more clearly structured, and written in a





more comprehensible manner, so that it could be more easily understood. The Regional Innovation Strategy is also deemed to be heavily focussed on technology and high growth companies, and is not considered to be a document which all businesses can relate to.

Changes to Business Support Structures

Yorkshire Forward is now responsible for managing the four Business Links, and they acknowledge that business support in general needs to be improved. Efforts are now being made to change the structure of business support delivery following a Review of Business Support during 2006. Yorkshire Forward consulted partners across the region for their views on business support in March 2006. They also worked particularly closely with partners such as the Learning and Skills Council, the Engineering Employers Federation, CBI and the universities, to develop a new model for business support in the region.

Instead of the region's four Business Links operating independently of each other and managing their own Customer Relationship Management systems, as they do now, from April 2008 access to business support will be through a mechanism called the 'single gateway'. The gateway will be a regional call-centre where support can be obtained by telephone, e-mail or face-to-face, 24 hours a day. By having a single gateway, it will no longer matter whether a business is located on the boundary line between two sub-regions, as they will access business support through the one system. Existing contracts with the individual Business Links will continue until April 2008, but it is hoped that the gateway will make it much easier for businesses to access information, diagnostic and brokerage services.

The idea of the single gateway is not new, and other regions are implementing similar mechanisms, although it should help to address the concerns raised by partners on the current delivery of business support. At the moment, it is unclear as to whether all business support on innovation will be accessed through the single gateway. It is also uncertain as to whether other organisations providing both general and specialist business support and advice, such as Higher Education Institutions and enterprise agencies, will be part of the single gateway.

Recommendation 4:

‘Yorkshire Forward should incorporate all providers of general business and specialist support into the single gateway, including enterprise agencies and Business Links, so that consistent and timely advice can be provided to all businesses, from all sectors. Yorkshire Forward should also develop a User Guide for Innovation that clearly explains and simplifies the full range of innovation support available in the region, and where and how, businesses access it.’

Theme 2: Non-Technological Innovation

Innovation does not have to involve new technology, and it is not an activity that only happens in high-growth or key cluster companies. Innovation is also about change and improvement.

The Scrutiny Board wanted to explore where product and process innovation was taking place in companies that are not part of a technology sector, and are not supported through the Cluster Programme. The Board also wanted to identify the level of support available for businesses, and how these activities were captured and recorded.

Government Targets

The Scrutiny Board was keen to understand whether Yorkshire Forward was restricted by the Government targets, in the types of innovation activity that it can support. The PSA targets on innovation are focussed on high-level activity such as Research and Development investment and Knowledge Transfer Partnerships, and significant amounts of Yorkshire Forward's funding and activity must be allocated to the achievement of those targets. However, the targets do not prevent Yorkshire Forward from supporting innovation activity that delivers other outputs and outcomes.

It is important to note that Yorkshire Forward is not the only funder of innovation activity in the region. In fact, there are various ways that Yorkshire Forward can impact on the levels of innovation within the region rather than just through the provision of financial support, and the delivery of the Government targets. Yorkshire Forward has overall control of the Business Links, and works strategically with the universities to develop, deliver and promote their innovation activities. The types of innovation activity that can be supported throughout the region could therefore be widened, and not limited to the achievement of the PSA output targets.

Measuring Innovation Activity

The PSA output targets are not unique to Yorkshire Forward. All Regional Development Agencies focus their innovation activities on the achievement of the PSA targets, and tend to concentrate their funding on innovation in science and technology sectors. The PSA targets only offer a way of measuring innovation activity that is high-level. They do not take account of the actual level of process or product innovation that is happening within the private sector as a whole. As an example, the majority of business expenditure by all sectors on innovation is for new machinery, equipment and software, and there is currently no PSA target to record this.

The current statistics available on innovation activity in the region are based on the PSA targets, and they do not provide a clear indicator of

Recommendation 5:

‘Yorkshire Forward to work with partners to develop a new mechanism for measuring levels of innovation activity in the region, to enable the innovation practices of businesses in all sectors to be captured and promoted.’



actual levels of innovation practice within businesses. It is therefore evident that there needs to be a better understanding of the exact levels of innovation in the region, and that this will only be determined if other measures are used in addition to the data recorded against the PSA targets.

During the Summer 2006, the DTI published 'Innovation in the UK: Indicators and Insights'. This paper suggested a range of additional measures to assess the extent of innovation, including the amount of money allocated to innovation development, and the achievement of new or improved products and processes. These proposed measures would offer the region the opportunity to capture additional information on innovation activity. They would also enable Yorkshire Forward to assess the rate of innovation in Yorkshire and Humber in comparison to that in other regions. Until a more in-depth way of measuring innovation is agreed and implemented, the precise levels of all types of innovation in the region will be largely unknown.

Small and Medium Sized Enterprises (SMEs)

Apart from the services offered by Business Link, the work of the national Manufacturing Advisory Service (MAS) was cited by Yorkshire Forward as an example of wider support for SMEs. Yorkshire Forward is providing £5.5 million of funding to the MAS between April 2005 and March 2008. The MAS has handled over 14,000 enquiries since April 2005, and is currently supporting 256 businesses.

Although the MAS assists companies by providing advice and guidance on improving productivity through innovation, lean processing and quality improvement, the services they provide are restricted to the manufacturing sector. The support on offer from the MAS therefore excludes a high proportion of SMEs in the region. This view is supported by partners, who have reported their concerns over a lack of innovation support for SMEs in all other sectors.

Despite a lack of innovation support, partners and business support professionals have given examples of where businesses are changing the way that they produce and deliver their goods and services, during this review. However, such product, process and organisational innovations are not generally recorded, unless the SME is in a high-growth sector or key cluster. It is therefore incredibly difficult at present, to detect the precise rates of innovation in small and medium sized companies within the region.

The innovation practices of SMEs that fall outside the key clusters could add value to the innovation initiatives funded by Yorkshire Forward and its partners. By not capturing the level of innovation in SMEs, the region could be oblivious to an entrepreneur's development of a revolutionary product, or creation of a new process which could save considerable time and money. If the innovation activities of all SMEs were recorded, the region would have a far better understanding of innovation levels in the region as a whole.

Recommendation 6:

‘As a regional strategic leader, Yorkshire Forward should use its position of influence over the delivery of innovation support, to make innovation more easily comprehensible and accessible for all types of businesses, and identify how they can record and clearly present the innovation activities of all SMEs with the potential for growth to encourage other SMEs to invest in innovation.’

Recommendation 7:

‘Yorkshire Forward should develop a process for monitoring the impact of its activities on BME businesses and identify a strategy for harnessing the skills and talents of new migrants.’

Recommendation 8:

‘Yorkshire Forward should act as an enabling organisation for social enterprise by capturing examples of innovation practice from social and community enterprises and publicising what has been achieved in communities to demonstrate how inclusive Yorkshire Forward is.’

Black and Minority Ethnic (BME) Businesses

The scrutiny review on the Business Birth Rate Strategy in December 2002, identified a weakness in the level of business support for Black and Minority Ethnic (BME) businesses. The Scrutiny Board was keen to understand how BME businesses were supported in their innovation activities. However, this was difficult to determine, as Yorkshire Forward does not separate business support for BME businesses from the mainstream business support that they offer.

Yorkshire Forward has developed an Equality and Diversity Impact Assessment, and all project applications at Stage One: the Outline Business Plan, now have to state if the project will benefit particular individuals based on ethnicity, gender, age or disability. Delivery agencies of business support, such as Business Link, also have to demonstrate that they are being inclusive, and offering equality of access for all individuals and businesses.

The Trade Union Congress (TUC) has been considering the issue of new migrant workers in the region, and how the skills and experience of the migrants can be utilised. Yorkshire Forward has recently completed a research study with Experian that assesses the impact that migrant workers can have on the regional economy. The findings of the research study suggest that the majority of migrants coming into the region are skilled professionals who are re-locating or young career professionals. The TUC were interested in how these individuals, could be supported to start a business. However, it is unclear at this time as to what strategies will be put in place to harness the skills and entrepreneurial talents of new migrants.

Social and Community Enterprises

For many people, innovation and enterprise are closely linked. It is a common perception amongst the voluntary sector that in order to create a social or community enterprise, there is always an element of innovation involved, either in the way that the business is managed, or in the way that it delivers services to the public. Partners recognise that new community and social enterprises are start-up businesses like in any sector, but they have questioned the amount of financial and advisory support available to these types of businesses. If social and community enterprises are to become sustainable businesses, they require guidance and support on how they can think creatively about how to generate income for the business and how they can deliver services in a different way.

Yorkshire Forward is currently providing £57,000 to Social Enterprise Yorkshire and Humber (SEYH), and has provided significant financial resources for business support for social enterprises through the region's four Business Links. SEYH is a not for profit private company that represents social and community enterprises within the region, and provides these companies with information and guidance. The funding from Yorkshire Forward is being used to further develop the



services that SEYH provide to their members. Individual Social and community enterprises do not always receive direct financial support from Yorkshire Forward, particularly if they are unable to deliver outputs against the PSA targets. Instead, they can access financial support through the Business Links, or loan finance, and they may also be in receipt of other funds such as lottery funding or European monies.

Yorkshire Forward has provided examples of how the region's social and community enterprises, and community partnerships, have been innovative. These examples include the Healthy Living Centres and Bradford Vision. Yorkshire Forward is also keen to learn the lessons from the Local Authorities' delivery of the Local Enterprise Growth Initiative (LEGI) so that they can apply the lessons to their mainstream business support and enterprise activities. However, Yorkshire Forward should also consider ways of capturing examples of innovation practice from social and community enterprises so that this information can be distributed to other enterprises. It is also essential that Yorkshire Forward communicates how it is helping to support the development of the region's social and community enterprises to local communities more clearly, and explains the contribution that they can make to innovative regional economic development.

Theme 3: Barriers to Innovation

National statistics suggest that innovation is far more common in large companies. Only 57% of small and medium sized companies innovate compared with 72% of large companies. However, evidence shows that companies of all sizes innovate for the same reasons: increased profit and improved quality. The UK Innovation Survey 2005 also reveals that companies tend to rely more on their own knowledge and experience, and that of their suppliers and customers for information on innovation, rather than on traditional sources of business support.

It is clear that if businesses are engaged in innovation, they will have a competitive edge over their competitors who do not innovate. The Scrutiny Board looked at the reasons why individuals and businesses may not be accessing support for innovation, and considered how these obstacles could be overcome.

The 'Northern Way Opportunities' scrutiny review highlighted a need for streamlining and simplifying the range of innovation initiatives on offer. During this review, partners again expressed their concerns over the volume of innovation initiatives on offer, which were confusing to businesses. As the Action Plan for the 'Northern Way Opportunities' enquiry states that this issue will be addressed by Yorkshire Forward as part of the Business Support Review, the comments of partners have been noted, but the issue has not been included as a key finding in this report.

Recommendation 9:

‘The Scrutiny Board acknowledges the success of cluster policy, but recommends that Yorkshire Forward provides assurance that businesses outside of the prioritised sectors are not marginalised by its cluster approach. The Board also recommends that the chosen clusters are frequently monitored and evaluated to allow emerging growth sectors to obtain support.’

Prioritised Industrial Sectors

Yorkshire Forward maintains that in order for the region to compete effectively, it needs to build on the region's successes, particularly in the science and technology sectors, hence the focus on the key clusters. Partners and businesses appear to be comfortable with this focus, and generally understand that if Yorkshire Forward is to make the greatest economic gain for the region from its investment, there have to be priorities so that funding is not spread too widely. There is some concern amongst partners however, that there is too much emphasis on innovation support for science and technology businesses, with insufficient support for other businesses. This imbalance is creating an obstacle for businesses in other sectors, as they are effectively excluded from the region's facilities and support on innovation.

Whilst the prioritisation of certain industrial sectors can be regarded as a sensible approach, there has to come a point where priority sectors and key clusters are evaluated, to assess the impact and added value that this approach has provided, and to ensure that the level of financial support is still required. Yorkshire Forward expanded the number of key clusters that it supports in the recently published Regional Economy Strategy, and the strategy states that the clusters could change over time. It is important that the clusters do change at some point, rather than just expand in number, to provide sufficient

financial support for emerging growth sectors, and to also ensure that the region does not become over-reliant on particular industries.

If businesses are unable to access specialist innovation support because they are not within a prioritised sector, they may not spend the time and money, or take a risk, in developing an innovative product, process or service. As innovation is widely regarded as a driver of productivity, if businesses do not innovate, their ability to compete and improve their productivity could be hindered. It is essential that businesses in all sectors are encouraged and supported in their innovation practice.

Access to Facilities

Business incubators and managed workspace units provide start-up and small businesses with premises space and access to business support and expertise, to guide the business through their early stages of development. The number of such facilities in the region has increased rapidly during the last three years to a total of 35. The majority of the units are in South and West Yorkshire, and whilst 15 facilities are related to the key clusters and technology sectors, 20 are available for use by other sectors.

Despite the progress made on the provision of these facilities, the previous scrutiny report on the 'Northern Way Opportunities' identified issues with the availability of 'graduation' premises for those successful start-up businesses that needed to expand. In this review, partners have again highlighted a lack of grow-on accommodation for tenants in business incubators as an issue that needs to be addressed.

The way in which Yorkshire Forward is proposing to address this issue is by working with Local Authorities and developers to ensure that there are sufficient premises available to support businesses of all stages, and in a wide variety of sectors, at their various stages of growth. Another way in which additional facilities could be developed for businesses in inner city areas, particularly for BME businesses and social and community enterprises, would be to utilise the vacant office space of Housing Associations and Housing Trusts, as demonstrated by Leeds Unity Housing. If Yorkshire and Humber is to be seen as an innovative region, and attract new companies into the region, it is vitally important that the regional offer of support and facilities for innovation is better than that on offer by other regions.

Access to Business Support

By and large businesses do not separate their innovation practice from their day-to-day business activities. As far as they are concerned, if they design a new product, process or service it is merely a part of running their business, and they may not label it as 'innovation'. In the same way, they may not distinguish support on innovation, from general business support provision.

Recommendation 10:

‘Yorkshire Forward and Local Authorities should collaborate, to create a database of potential sites and existing premises that could be developed into grow-on accommodation for successful and expanding businesses. It is recommended that the list of premises should be made available to businesses from all sectors that want to start-up and grow.’



Through this review, partners have reported difficulties in understanding which organisation, and which team within Yorkshire Forward, they need to speak to in order to obtain advice, information and support. In some instances, this has resulted in individuals being passed from one team to another, depending on whether they require specialist innovation support, general business support and whether they are in a key cluster. It is difficult for businesses to understand how and why Yorkshire Forward's work is divided into different departments and fragmented.

The issue of confusion over where to access information and advice on innovation does not end with Yorkshire Forward and business support providers. Although links between the region's higher education institutions and businesses are regarded as continuously improving, similar experiences have been reported by businesses when accessing business support from universities. These difficulties were highlighted in the Lambert Review. The scrutiny enquiry on Clusters Policy in January 2005, identified that more effort was needed to ensure that private sector companies were aware of business support services on offer, and that businesses were encouraged to access them. It is clear from the outcomes of this review, that this issue still needs to be resolved. If businesses are to be encouraged to innovate, and obtain support and assistance in their innovation activities, regional partners need to make it more obvious to businesses about how they can access support, and the level of support they can expect to receive.

To a large extent, the solutions to these difficulties lie in the outcome of Yorkshire Forward's Review of Business Support, which concluded in September 2006. The proposal for a single gateway, which directs businesses to a central point, will alleviate the issue of businesses being passed from department to department. However, as the single gateway will fundamentally change the way in which business support is delivered, particularly by Business Link, time is needed to implement these changes. Prior to the establishment of the single gateway in April 2008, there needs to be an interim mechanism in place for referring businesses to the most appropriate point of contact. Partners also believe that the new form of business support should address the principles of 'Better Deal for Business', and incorporate innovation support within it, rather than separate it out. It is important that the new business support structure adopts the 'Better Deal for Business' principles, and considers support for skills development alongside innovation and general business support. That way, businesses who want to innovate but who lack the high-level skills in order to do so, can obtain a range of support through the single gateway.

Access to Financial Support

According to national statistics, cost factors are regarded by businesses of all sizes to be their main barrier to innovation. The Federation of Small Businesses confirms this in their Barriers to Growth 2006 report, and report that women tend to have more difficulty in



accessing finance than men. BME businesses have also reported similar difficulties in accessing financial support.

There are national grant programmes available to support businesses on research and development activity, in addition to those offered by Yorkshire Forward. However, partners are cautious about how accessible and user-friendly the application processes are for businesses. The Department for Trade and Industry's SMART Awards, and the Research and Development Tax Credits schemes, were highlighted by partners as being particularly lengthy and bureaucratic. Yorkshire Forward also recognises that its own application processes need to be shortened.

The DTI previously funded a successful scheme called 'Support to Implement Best Practice', which awarded businesses up to £5,000. During this review, partners have highlighted the value that this scheme provided, as it enabled businesses to benchmark themselves against each other and to seek ways of improving their business. The scheme encouraged companies to change the way that the business was managed, and to develop new products and services. Now that financial support for this scheme has ended, there is a funding gap which needs to be filled.

In terms of financial assistance to support the implementation of innovation, there are several loan schemes available, although these are not universally available to all businesses in all areas. The Partnership Investment Finance (PIF) scheme can provide loans and finance to SMEs and social enterprises, but only those based in Objective 2 areas (predominantly the rural and coastal parts of Yorkshire and Humber). Similarly, the South Yorkshire Investment Fund provides financial assistance for companies located within the Objective 1 boundary. Venture Capital companies also provide loans, but there are strict criteria and companies need to demonstrate a high potential for growth. The Scrutiny Board was pleased to learn that Yorkshire Forward and the region's higher education institutions were considering a Proof of Concept fund, as this was a funding gap that was identified by some partners.

Language and Communication

The Scrutiny Board considered the language used to describe innovation and the documents and materials used to promote it.

Recommendation 11:

‘The Scrutiny Board recognises Yorkshire Forward’s attempts to speed up their project application processes, and also recognises the risks involved in funding the private sector. However, it is recommended that Yorkshire Forward reviews the short application process used to administer the YFIRD and GRD grant schemes, and considers how this best practice can be applied to the application processes for other funds so that businesses are given swift decisions on the outcome of their application.’



Recommendation 12:

‘Yorkshire Forward should publicise the successes and good practice of the innovation initiatives more widely. Yorkshire Forward should also ensure that the language used in all innovation related publications, the Yorkshire Forward website and all verbal and written communication with businesses is more comprehensible, so that businesses can clearly understand the information presented to them. It is also recommended that case studies of innovation practice should be distributed and publicised that are representative of all sizes and sectors of companies from across the UK.’

The Scrutiny Board was concerned that the language used was too technical and off-putting to businesses. These concerns were confirmed by partners and business support professionals, who described the language used as ‘full of jargon’ and ‘elitist’. Whilst businesses may understand the DTI definition of innovation as the successful exploitation of ideas and a way of improving competitiveness, the language used to promote innovation needs to be more user-friendly and easily comprehensible.

The vast majority of the Regional Development Agencies promote innovation alongside science and technology development. It is clear that businesses accessing the websites of the nine Regional Development Agencies, could easily form an opinion that innovation programmes and innovation support, are only available to businesses that operate within the science and technology sectors. Whilst the websites are relatively clear on the type of innovation support available for the respective key clusters, it is not clear how other sectors can access support and advice on innovation. If all sectors of business are to be encouraged to innovate, the Yorkshire Forward website needs to be much clearer on the level of innovation support available for all sectors. At the moment, it appears from the website as if support is restricted to the Manufacturing Advisory Service and the Innovation Relay Centre.

Although some of the innovation schemes are marketed as opportunities for developing a business, rather than ‘innovation schemes’, the documents and publications developed by Yorkshire Forward tend to be for a specific audience and contain technical language used by science and technology sectors. The documents like ‘Innovation Engine’, the regular Yorkshire Forward newsletter, do not offer universal appeal to a wide variety of businesses, and could therefore be considered as exclusive. Yorkshire Forward does recognise that individuals and businesses may not understand what is meant by the word ‘innovation’, and that efforts need to be made to ensure that it is communicated and explained more clearly. It is just as important however, that higher education institutions are also mindful of the language that they use in their documents and publications on innovation, to ensure that they are more accessible.

Yorkshire Forward regards the use of case studies as a key tool for promoting innovation and encouraging businesses to innovate by learning about the experiences of other businesses. As a result they produce a high volume of informative case studies which clearly explain the benefits that the business has seen from their efforts. The use of case studies was applauded by partners who confirmed that businesses are intrigued by the experiences of their competitors, and are persuaded to implement similar changes within their company as a result. It was suggested by one respondent that this practice could be taken further, by promoting the case studies of companies from across the UK, and not just those within Yorkshire and Humber. In order to fully take advantage of the success of promotional case studies, it is essential that the case studies are not restricted to companies within the key clusters or related to technology, and that case studies of other sectors and other forms of innovation, are also used.

Conclusions

The Scrutiny Board has concluded that the innovation activity that Yorkshire Forward is funding is of a high quality, and is producing clear results that have already had a positive impact on the region's economic progress. The impact that the region's higher education institutions have had on research and development in Yorkshire and Humber is particularly applauded. However, the review has identified some key areas where further work and support is required to enable businesses from all sectors to innovate.

Innovation is generally difficult to define and explain to businesses. It is also incredibly difficult to obtain an accurate assessment of innovation levels within the region's businesses. The current measures for innovation activity are, in the main, restricted to research and development expenditure and collaboration activity between higher education institutions and the private sector. The current measures are failing to record the process and product innovation that is taking place in the business sector as a whole, and as a result it is believed that the statistics on innovation within the region are an underestimate of the actual rate.

Yorkshire Forward's broad range of innovation activity can be regarded as fragmented as it is delivered through a number of different elements of Yorkshire Forward's work; it features under business support, it features in the skills agenda, and it also comes under the cluster work. It is therefore difficult for partners and businesses to access guidance and support from Yorkshire Forward on innovation. The single gateway should resolve this confusion, however it is vitally important that the single gateway is far broader than Business Link activity, and incorporates other providers of general and specialist support for business, skills and innovation development.

Above all else, innovation needs to be simplified and made much more accessible for businesses of all size, and regardless of sector. At the moment, the full range of initiatives and support for innovation are high-level and mainly focussed on high-growth and technology sectors. The majority of the region's businesses, which do not fit under this category, are therefore restricted by the support available. There is a responsibility on the businesses in Yorkshire and Humber to recognise that in order to compete they need to innovate. However, if we are to raise productivity in the region through innovation, and increase the rate of business expenditure on innovation, we need to make it more comprehensible, more appealing, and more accessible to businesses than it currently is.



‘Innovation is generally difficult to define and explain to businesses.’

Next Steps

The Scrutiny Board has made 12 recommendations on how innovation activity can be strengthened, and made more accessible for businesses of all size and for businesses of all sectors. Yorkshire Forward has developed an Action Plan which outlines how it will work with partners to deliver against these recommendations. A copy of this Action Plan can be found in Appendix 1.

The Scrutiny Board will monitor the delivery of the Action Plan through written progress reports and attendance by Yorkshire Forward at two Scrutiny Board meetings each year to discuss the progress made against the Action Plan and future activities. The Scrutiny Board will update Assembly members on the delivery of the Action Plans by presenting six monthly reports at Assembly meetings. Members, partners and businesses will also be able to view the progress reports on the 'Scrutiny' pages of our website <http://www.yhassembly.gov.uk>.

During this review we piloted the use of an online forum, and encouraged Assembly members and the attendees at the Public Discussion, to comment on the draft scrutiny report and recommendations. The Scrutiny Board intends to expand the use of online forums in future scrutiny reviews, as they provides an accessible mechanism for individuals to debate the scrutiny topic with each other, and share their views and comments with the Scrutiny Board.

The Scrutiny Board is committed to the continuous improvement of the scrutiny process. Suggestions made by partners on how the process can be strengthened to provide greater accountability, have been considered in preparation for the next scrutiny review on 'Employment' which will commence in January 2007.



Appendix 1: Action Plan in Response to Scrutiny Enquiry 10 - Innovation

	Recommendation	Actions	Timescale
<p>THEME 1: ASSESSMENT OF EXISTING ACTIVITY</p>	<p>Recommendation 1</p> <p>Yorkshire Forward and its partners need to look at the region's business expenditure on research and development, in comparison to other regions, with a view to raising the regional rate to at least the national average.</p>	<p>Yorkshire Forward and partners have developed the Regional Innovation Strategy (RIS), which aims to stimulate a culture of innovation throughout the region to underpin future sustainable economic growth. Increased investment in R&D expenditure is a desired outcome from this approach. Increasing levels of business investment in innovation activity is also a 10 year RES target for Yorkshire Forward.</p> <p>The RIS aims to put in place an appropriate set of measurables that will enable information on regional innovation performance across a broad range of metrics, including expenditure on R&D, to be captured and utilised.</p>	<p>Ongoing - 2016 RES Target.</p>
	<p>Recommendation 2</p> <p>The Scrutiny Board recommends that Yorkshire Forward should consider expanding the eligibility criteria for the YFIRD scheme to provide grants to both medium and large sized businesses to help address the demand for research and development grants.</p>	<p>The Yorkshire Forward Industrial Research and Development (YFIRD) scheme was designed and developed to target large companies, as the national scheme for funding R&D (Grant for R&D) is only available to small and medium sized companies. The scheme has state aid approval, making it unique in England and allows large companies from the region to access support for R&D. Any medium sized company wishing to access grant support for R&D support can utilise the GRD scheme which is managed through Yorkshire Forward.</p> <p>The total funds available through the YF IRD scheme have now been allocated and the scheme is providing funds to 19 regional large companies.</p>	<p>Yorkshire Forward will assess if there is any funding at all going forward and will then address this recommendation as the regulations allow.</p>

Recommendation	Actions	Timescale
<p>Recommendation 3</p> <p>The Scrutiny Board recommends that Better Deal for Business principles are applied to Knowledge RICH and that the outcomes and impact of Knowledge RICH are monitored and publicised.</p>	<p>Under the revised business support gateway Knowledge RICH as well as all other Yorkshire Forward funded business support will be accessed via a central gateway adhering to the principles of better deal for business.</p> <p>As part of the project management of Knowledge RICH a full evaluation is carried out of project outputs, outcomes and impact.</p>	<p>Due to the renegotiation of contracts indicated in the Business Support Review, this will be launched in April 2008.</p>
<p>Recommendation 4</p> <p>Yorkshire Forward should incorporate access to all providers of general business and specialist support into the single gateway, including higher education institutions, enterprise agencies and Business Links, so that consistent and timely advice can be provided to all businesses, from all sectors. Yorkshire Forward should also develop a User Guide for Innovation that clearly explains and simplifies the full range of innovation support available in the region, and where and how, businesses access it.</p>	<p>Yorkshire Forward intends for many higher education establishments, public sector bodies, private sector organisations and specialist advisers to use the gateway as a means to market their services in order to offer as wide a range of support as possible to SMEs.</p> <p>The Regional Innovation Strategy has been endorsed by the Yorkshire Forward Board and an implementation plan is currently being developed for presentation to the Board in March 2007. The implementation plan will ensure that a coherent approach to regional innovation support is put into place and effectively marketed and promoted to regional businesses. When the Regional Gateway is launched this will provide the mechanism to enable regional businesses to access the appropriate regional innovation support services.</p>	<p>Due to the renegotiation of contracts indicated in the Business Support Review, this will be launched in April 2008.</p>

	Recommendation	Actions	Timescale
THEME 2: NON-TECHNOLOGICAL INNOVATION	<p>Recommendation 5</p> <p>Yorkshire Forward to work with partners to develop a new mechanism for measuring levels of innovation activity in the region, to enable the innovation practices of businesses in all sectors to be captured and promoted.</p>	<p>Yorkshire Forward and partners have identified new ways of measuring the level of innovation activity as part of the Regional Innovation Strategy. A list of measurables, drawn from the European Innovation Scoreboard (EIS) and the CBI's Innovation Index, will enable the region to benchmark innovation performance in comparison against other European regions.</p> <p>Yorkshire Forward will also examine if there are any other ways of measuring innovation activity.</p>	<p>Ongoing.</p> <p>Examine for new measurements by October 2007.</p>
	<p>Recommendation 6</p> <p>As a regional strategic leader, Yorkshire Forward should use its position of influence over the delivery of innovation support, to make innovation more easily comprehensible and accessible for all types of businesses, and identify how they can record and clearly present the innovation activities of all SMEs with the potential for growth to encourage other SMEs to invest in innovation.</p>	<p>Yorkshire Forward has already examined this issue. Access and provision will be covered by the introduction of the region's gateway for business support which is being tendered for during 2007. Its role will be to simplify business support delivery and offer a much improved service to business wishing to access both public and private business support services.</p>	<p>Due to the renegotiation of contracts indicated in the Business Support Review, this will be launched in April 2008.</p>
	<p>Recommendation 7</p> <p>Yorkshire Forward should develop a process for monitoring the impact of its activities on BME businesses and identify a strategy for harnessing the skills and talents of new migrants.</p>	<p>Yorkshire Forward collects beneficiary data on companies and individuals supported as part of our PMF project Management processes. The innovation projects developed and managed by Yorkshire Forward will be included in the regional knowledge system linked to the regional business gateway for business support. This will be able to be reported on according to business type, location as well as other criteria and will be taken into consideration for activities going forward.</p> <p>The issue of migrant workers is to be picked up in the 11th scrutiny on Employment. Yorkshire Forward commissioned a study by Experian on migrant workers in the region, and the Audit Commission has also undertaken a review of the effect of migrant workers in Hull and East Riding.</p>	<p>Ongoing.</p> <p>Following the outcomes of the Business Support Review, the Business gateway will be launched in April 2008.</p> <p>Migrant workers to be examined in upcoming scrutiny review, which will report by June 2007.</p>

	Recommendation	Actions	Timescale
	<p>Recommendation 8</p> <p>Yorkshire Forward should act as an enabling organisation for social enterprise by capturing examples of innovation practice from social and community enterprises and publicising what has been achieved in communities to demonstrate Yorkshire Forward's inclusive approach.</p>	<p>This work is being completed by the inclusion team in Yorkshire Forward as part of its core work. Social enterprises are included in those businesses that can access services from the regional business gateway.</p>	<p>Ongoing through inclusion team. Business gateway launches in April 2008.</p>
THEME 3: BARRIERS TO INNOVATION	<p>Recommendation 9</p> <p>The Scrutiny Board acknowledges the success of cluster policy, but recommends that Yorkshire Forward provides assurance that businesses outside of the prioritised sectors are not marginalised by its cluster approach. The Board also recommends that the chosen clusters are frequently monitored and evaluated to allow emerging growth sectors to obtain support.</p>	<p>The Yorkshire Forward cluster strategy and individual cluster performance is measured and monitored regularly and reported against the scrutiny review of clusters. The Regional Innovation Strategy targets regional companies with growth potential regardless of whether they are from a particular cluster. These companies will be profiled and monitored to ascertain which types of companies are being supported.</p>	<p>Ongoing.</p>
	<p>Recommendation 10</p> <p>Yorkshire Forward and Local Authorities should collaborate, to create a database of potential sites and existing premises that could be developed into grow-on accommodation for successful and expanding businesses. It is recommended that the list of premises should be made available to businesses from all sectors that want to start-up and grow.</p>	<p>There is already a relationship between Local Authorities and Yorkshire Forward regarding geographic development as part of the Regional Spatial Strategy. Yorkshire Forward will look at developing an industry standard property database and will liaise with partners about this.</p>	<p>Commence process April 2007.</p>

Recommendation	Actions	Timescale
<p>Recommendation 11</p> <p>The Scrutiny Board recognises Yorkshire Forward's attempts to speed up their project application processes, and also recognises the risks involved in funding the private sector. However, it is recommended that Yorkshire Forward reviews the short application process used to administer the YFIRD and GRD grant schemes, and considers how this best practice can be applied to the application processes for other funds so that businesses are given swift decisions on the outcome of their application.</p>	<p>Where direct grant funding to business is part of the business support offer Yorkshire Forward will endeavour to learn from best practice found elsewhere. The application process for the GRD scheme has been significantly streamlined and simplified since it has been delivered by the RDA. This has culminated in the development of an on-line application process that will be used for both the current GRD scheme and can also be used for any future rounds of IRD funding. This on-line system will be available for use by businesses by April.</p>	<p>April 2007 onwards</p>
<p>Recommendation 12</p> <p>Yorkshire Forward should publicise the successes and good practice of the innovation initiatives more widely. Yorkshire Forward should also ensure that the language used in all innovation related publications, the Yorkshire Forward website and all verbal and written communication with businesses is more comprehensible, so that businesses can clearly understand the information presented to them. It is also recommended that case studies of innovation practice should be distributed and publicised that are representative of all sizes and sectors of companies from across the UK.</p>	<p>Yorkshire Forward already publishes a range of case studies as part of its work on innovation, it is anticipated that as projects such as CICs, Knowledge RICH and MAS continue to deliver an expanded range of case studies will be produced. This will continue and expand with the introduction of the Regional Innovation Strategy in April 2007.</p> <p>Training programmes are being run in partnership with the Plain English Campaign aimed at improving the language used in all Yorkshire Forward publications.</p>	<p>Ongoing. Progress will be reported to the YHA Scrutiny Board in July 2007.</p>

Appendix 2: Yorkshire Forward Panel

Don Stewart

Executive Director of Strategy, Yorkshire Forward

Don is one of the founder Directors of Yorkshire Forward. His role covers the Regional Economic Strategy, Investment Planning, Northern Way, and the Yorkshire Forward Development Fund. He is also the agency's lead on city-regional partnerships and HM Treasury. Don has worked in the public sector for 30 years, and has worked for the Departments of State for Prices and Consumer Protection, Environment, Housing and Training and Employment. He has also worked for the Government Offices in Manchester and Leeds.

Barry Dodd OBE

Board Member of Yorkshire Forward

Barry has worked, for the last 30 years as part of the GSM Group, which he founded. The group is a market leader in a number of aspects of manufacturing, and consists of five companies with major operations in Yorkshire and Humber. Barry currently chairs a strategic review of Connect Yorkshire, a Yorkshire Forward initiative aimed at making high-tech start-up companies market ready. He is also Vice Chair of Business Link York and North Yorkshire, and is a member of the Yorkshire Science Board.

Laura Moynahan

Board Member of Yorkshire Forward

Laura is the Chief Executive of the Netherthorpe and Upperthorpe Community Alliance - a leading development trust in Sheffield. Laura is a Board Member of Sheffield First Partnership, South Yorkshire Partnership and Renaissance South Yorkshire. She is also a member of the Advisory Board for the University of Sheffield Management School, and a Fellow of the Royal Society for Arts, Manufacturing and Commerce.

Jim Farmery

Head of Innovation, Yorkshire Forward

Jim is responsible for activity and investment in Innovation, and industry specific support in Yorkshire and Humber. His role covers e-business, procurement, supply chain development, business collaboration with regional universities, grants for research and development and broadband network development. Jim began his business career as a management trainee with J Sainsbury plc, before working in the technology sector in the UK, Belgium and Israel. He joined Yorkshire Forward in 2001.



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