Accelerating Innovation, Delivering Place-Based Growth: *Lessons Learnt from the Three Innovation Accelerator Pilots*

Summary Report & Questions Arising from the Seminar held on 12ᵗʰ July 2023

The meeting began with three excellent introductory presentations from:

o Professor Simon Collinson, Director of City-REDI and WMREDI, University of Birmingham
o Professor Richard Jones, Vice-President for Regional Innovation and Civic Engagement, University of Manchester
o Dr Declan Weldon, Executive Director of Innovation, Entrepreneurship and Engagement, University of Glasgow

Summary of <u>positives</u> from the Innovation Accelerator (IA) Pilot process:

- It is important to note that the three IA pilot areas had already established **institutional capability** to build local consortia to create innovation-led growth opportunities.
- The IA processes have helped the three areas to go one stage further: to create **strategic innovation partnerships** and governance structures and raise their readiness levels for collaboration and investment. In that process:
  - **Local government** has taken a key role in defining and communicating the project prioritisation process and identifying demands of the funding.
  - **University leaders** have played key roles. They have shared portfolios with partners and with each other enabling strategic discussion about priorities and collaboration. They have also produced evidence for investment priorities and impact evaluation.
  - **Business leaders** have played pivotal roles both in leadership and within a range of sectors.
- The three IAs reflect **different portfolios of innovation assets and capabilities** of each of the places with different thematic focus. 26 projects which were funded reflect this diversity and breadth of the priority themes. This diverse place-based approach is to be welcomed.
- The keys to success have been**: Capacity** – the ability to understand their place and collect evidence; and **Continuity** and **Maturity** - of leadership, governance and civic approaches.
- The IAs have also created a step change in working **relationships between local and central government**. The project selection and prioritisation process involved collaboration and co-creation, with greater respect and trust, rather than an arms-length, transactional approach.

Negatives:

- **Industry partners found the operational process for project selection problematic**, in some regions, partly due to lack of familiarity with Innovate UK systems, processes and timings and in part due to some inflexibility regarding engagement and bureaucratic hurdles.
- There is a **lack of ability to align wider funding – such as for levelling up or net zero** - due to timing, inconsistency in Government approaches, including the tendency to favour competitive tendering methods.
- Activities which would have been innovative and worth funding were ruled out because of **the structure of the demand of match funding** within a too-short time frame and in some cases an aversion to risk. Examples of these are: town centre investments, projects from the foundational economy[1] and supply side interventions such as upskilling and work with FE colleges.
- **The linkage between innovation and inclusion** is, so far, weak.
  - Of the 26 projects funded, most are from the high-tech sector and favour larger businesses – there is therefore a need to think about how small businesses and other sectors of the economy can benefit from IAs. This will need to be considered on a sector by sector basis recognising that in some, such as construction, it may be easier to engage SMEs.
  - It was also pointed out that there is a "catch 22" problem for poorer areas: they don't have sufficient existing investment, or capacity / capability to develop strong propositions or engage, which leads to an inability to further invest in innovation.

Lessons and considerations for future:

- There needs to be an ability to see the wider place implications of the IA so that vital **spill-over effects can be created** by aligning different funding, initiatives, different Government departments and approaches.
  - **Aligning different funding schemes** is important for capacity building and infrastructure development. For example, the UKSPF is seen as a good funding mechanism although it is much smaller in scale than the ERDF funding it replaces in some places.
  - **Follow-up and consistency** are required at the local level. There is a need to deal with and follow up near-miss investment propositions that didn't get through the selection process but are still good ideas.
- More evidence is needed regarding how IAs can continue to **capture value** and **build capacity**. For example, **Catapult centres and other intermediary organisations** contribute to place-based innovation and growth in a variety of ways, through R&D and practical support. However, it was noted that their geographical distribution is not consistent across the country and their remits are not always regional. Consequently, their contribution to local capacity building may be limited.

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[1] The concept of the 'Foundational Economy' (FE) was initiated by Professors Froud and Williams, along with Professor Moran, at the Centre for Research on Socio Cultural Change (CRESC). They defined FE as the 'taken for granted' parts of the economy that meet basic needs by providing services and goods that are essential to everyday life. Source: https://www.alliancembs.manchester.ac.uk/news/the-foundational-economy-influencing-economic-policy-and-practice-in-wales/

- **Inclusive growth needs** are recognised throughout the three IA areas. However within the working parameters of existing IAs it was felt that a choice had to be sometimes made between GVA growth and inclusive growth. Moreover, the current IA mechanisms do not sufficiently integrate with inclusivity or Levelling-Up agendas. **A different set of incentives or different selection criteria** may be needed to address this.
    - It is important to balance the high growth imperative with supporting the **foundational economy** because for example supporting jobs in communities and improving the health of a population improves the health of the economy and vice versa.
    - It is also important to better understand **geographical inclusivity** considering how economic benefits can be transferred within and across city regions.
- Although predominantly from the high-tech sector there are some **green shoots of engagement with sectors that are typically defined as being lower in productivity**. These would provide lessons for other city regions. For example:
    - The Salford University project focused on construction was amongst the highest scoring of all projects submitted to any of the three IAs.
    - The West Midlands project led by the Connected Places Catapult with the Black Country Innovative Manufacturing Organisation (BCIMO) and Coventry University as partners has plenty of space for manufacturing firms and supply chains.
- A stronger **demand-side approach** is vital, including understanding **demand from local firms, and improving their absorptive capacity, particularly SMEs**. The current IA model is supply-driven, largely targeting big innovation. Different selection approaches may be needed to facilitate a demand-side approach which would lead to **scaling up SMEs** and **upskilling**.
- There is a **challenge in evaluating IAs** due to their diverse pathways and the fact that many impacts and outcomes will emerge only after a long period of time. However, there are indications that IAs, from a process perspective, have been more productive than the Strength in Places Fund: the IAs got funding awarded faster and were ring-fenced for specific Levelling-Up areas. The IAs are also bigger in scale and more flexible than the Innovate UK Launchpads.
- The sums of money allocated - **£33million per IA Pilot** – are not sufficient to make impacts on growth on the scale required. And, crucially, the timescales over which it has been allocated is much too short. There was a strong feeling that a five-year timescale would be more appropriate not least as this would help with the mission critical issue of recruitment.

Opportunities for other places:

- IAs can help develop **stronger collaboration opportunities and partnership governance** structures to gather evidence, select, prioritise, and collectively agree investments.
- They provide the **opportunity to build place leadership and soft infrastructure** (NB capacity funding may be separately needed for places without experiences).
- A number of city region areas with developed capacity and mature governance – for example **Liverpool City Region, West Yorkshire, South Yorkshire and the North East as well as Belfast and Cardiff** - would benefit straightaway from IA designation and funding.
- They provide opportunities to **share learning and develop strong leadership** and a proactive approach to identify the needs of the place, at the national and inter-regional levels.
- Piloting in the city regions with a range of activities over the last decade – Industrial Strategy, City Deals, Regional Growth Fund, Devo Deals, Levelling-Up investment, etc - have allowed

them to plan and invest longer term. Many other places haven't had this – but arguably should, and would, need to, in order to benefit from IA investments.

Challenges for other places:

- The three IA Pilot places already had strong local institutional capabilities. **Many places do not have a full set of existing capabilities** including the maturity of governance and assets (e.g. universities, big business and innovation engaged local councils, combined authorities).
- Change to this asset base will take time and investment. Therefore, to roll out the Innovation Accelerator scheme to other places, **differentiated approaches and incentives are needed.**
- Government investment in place is piecemeal and some places find it difficult to align with the IA agenda – for example **there is often a mismatch of governance ecosystems and structures are in constant flux.** Patchy devolution doesn't lead to capacity everywhere to do these types of activities.
- There is a need to understand **the motivations of different places and different actors**, and to advocate for dedicated leadership for innovation economies and enable alignment of incentives.

Further questions for political parties and policy makers:

- There are a number of key questions for decision makers and policy influencers to consider:

  1. How should **IAs be re-engineered** so they have beneficial impact on jobs and productivity in the wider economy beyond technology driven cluster development?
  2. How can IAs **better respond to local demand**? There is clearly a need for greater engagement with business and a need to explore wider issues such as how to increase their impact on and work with the foundational economy.
  3. How can **innovation be more clearly linked to the Levelling-Up and inclusivity agendas** in addition to the growth and net zero ones?
  4. Should **the Shared Prosperity Fund** learn from the best parts of ERDF funding and include an innovation strand targeted at a mix of SME and larger companies thereby creating networks of companies engaged in innovation?
  5. How and **when to roll out the IA process further across the UK**? Is there a case for an early second wave which might include Liverpool City Region, West Yorkshire, South Yorkshire and the North-East as well as Belfast and Cardiff?
  6. When should the **£100 million** allocated to the three IA Pilots be reviewed and increased?
  7. When should **funding for** Innovation Accelerator Pilots **be fully devolved** to Combined Authorities rather than the current nationally controlled model?
  8. How and **when should Government commit to the IA process long term**? Constant piloting means nothing is embedded or long term despite the fact that innovation acceleration needs to become business as usual.
  9. Is there already a sufficient case for **extending the lifetime** of the three Innovation Accelerator Pilots to five years?
  10. How do Innovation Accelerator Pilots interrelate, collaborate and support the four **Local Policy Innovation Partnerships** scheduled to be announced in December?

ATTENDEES

Chair and speakers

- Rebecca Riley - Associate Professor, Enterprise, Engagement and Impact, WMREDI/City-REDI
- Professor Simon Collinson - Director of City-REDI and WMREDI, University of Birmingham
- Professor Richard Jones - Vice-President for Regional Innovation and Civic Engagement, University of Manchester
- Declan Weldon - Executive Director of Innovation, Engagement and Economic Development, University of Glasgow

National/Pan-regional

- Alice Frost – Director of Knowledge Exchange, Research England UKRI
- Sam Markey – Director of Strategic Analysis, Connected Places Catapult
- Stephen Phipson – Chief Executive, Make UK
- Jovan Luzijic – Assistant Director of Policy, University UK
- Annette Bramley – Director, N8 Partnership
- Nick Goldspink – Research Manager, N8 Partnership

West Midlands

- Stephen Heales – Policy Manager, Innovation, WMCA
- Helen Turner – Director, Midlands Innovation
- Fumi Kitagawa - Professor in Regional Economic Development, WMREDI/City-REDI
- Ellie MacDonald – City REDI
- Steve Barwick – Associate, WM REDI

Greater Manchester

- John Holden – Associate Vice President for special Projects, University of Manchester
- Dan Morley - Business Development Manager, Research and Knowledge Exchange, MMU
- Lisa Dale-Clough – Assistant Director, Economy, GMCA
- Adrian Toland - Senior Principal Innovation Policy & Strategy, GMCA
- Matthew Kershaw – Senior Policy Officer for Innovation, GMCA
- John Willis – Programmes Manager, Research and Knowledge Exchange, MMU
- Professor Will Swan – Director Energy House Laboratories, Salford University
- Laura Jack - Event and Partnership Manager, University of Manchester

Glasgow

- Des McNulty - Associate, Glasgow University

Report prepared by Steve Barwick and Fumi Kitagawa of City REDI with input from attendees August 2023