

Outline Business Plan pro-forma for Yorkshire Forward Single Pot and/or European Regional Development Fund



This form must be completed with reference to the Outline & Full Business Plan Guidance Note

Project Title:	Knowledge Transfer Partnership
Artemis PMS Project Number:	904199
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Other key project partners: <i>(include address with postcode and type of organisation)</i>	AEA/Momenta B329 Harwell, Oxfordshire, OX11 0QJ All Yorkshire and Humberside Universities and Further Education Colleges Details edited for web publication
Project Location:	Yorkshire and Humber
Start Date of Project: <i>(day/month/year)</i>	1 April 2010
End Date of Project: <i>(day/month/year)</i>	31 March 2013
Date for Full Business Plan submission <i>(day/month/yr)</i>	27 th March 2010
Please state source(s) of funding requested – i.e. which Investment Plan/ YFDF and/or ERDF	ERDF 2007-2013
If ERDF, which Priority/ies and Objective/s does it fall under? (ERDF)	Priority 1; Objective 1 Priority 1; Objective 3
If multi- Priority, which proportion of eligible cost will fall under each priority (%) (ERDF)	N/A
Please state % of activity in SY/ rest of region(ERDF)	55% South Yorkshire, 45% Rest of Region
Programme on Artemis PMS (This is the primary RES/PSA delivery area met)	Competitiveness

Project Summary (150 words max):

(Why is the project / programme required? Why is Yorkshire Forward / ERDF funding required? What is the project / programme aiming to achieve (key outputs/outcomes)?)

Many businesses are not aware or convinced of the advantages of investment in innovative activity and R&D and do not naturally look to the HEI/FE sector for assistance. It is difficult for businesses to identify a knowledge source and many do not have the capacity to understand and exploit the knowledge provided. The Knowledge Transfer Partnerships (KTP) overcomes these barriers to collaboration.

KTP is a national scheme which has been led by the Technology Strategy Board (TSB) for over 20 years and directly contributes to the innovation products provided by the business support simplification programme. Each individual KTP is a tripartite relationship between a company, a HE/FE institution and a recent graduate. In order to assist the company to identify, understand, apply and exploit the transfer of knowledge, the graduate is employed within the business to manage the project and is assigned an academic mentor.

ERDF funding is required to support the TSB planned increase of 14 new classic and shorter KTP's (from 53 to 76 running at any one time), which will significantly contribute to the planned increase from 53 to 150 KTP's running in Y&H at any one time. Final reports from businesses that have collaborated with a knowledge base indicate improved productivity, efficiency, new markets, processes and products resulting in increased competitiveness, improved business sustainability and an enhanced regional economy.

1. Strategic Fit This section should briefly state the strategic priorities this proposal addresses; the project/programme itself should not be described

1.1. For projects / programmes **seeking single pot funding**, which Policy Product(s) within the Yorkshire Forward **Corporate Plan** does the project / programme address?

N/a.

1.2. Which Objective(s), Deliverable(s), and Action(s) within the [Regional Economic Strategy](#) does this project / programme address?

The promotion of Knowledge Transfer Partnerships aligns with Objective 2 - Competitive Business:

“...innovation will be vital to competitiveness...universities are a huge asset to the region and we need to utilise their knowledge base and transfer it to business...high level skills and expertise and investment in R&D are crucial.”

Specifically, it is a key priority for Yorkshire Forward under:

- **RES Objective 2A** – “Foster innovation to develop new markets and products – including good links between business and Higher Education institutions”

Under this Action, Yorkshire Forward has identified the need to exploit the knowledge held in research institutes in order to make business more competitive.

- **RES Objective 2B** – “Grow business and employment in knowledge based regional clusters”

Under this Action, Yorkshire Forward has identified the need to ensure that new businesses fulfil their potential and contribute fully to improving the regions competitiveness.

The KTP project therefore builds on the Regional Economic Strategy (RES) by providing TSB with additional support which will enable the number of KTP’s to substantially increase. In doing so, knowledge transfer across Y & H between HE institutions and businesses will dramatically improve, promoting innovative practices in businesses and improving economic competitiveness across the region.

1.3. For projects / programmes **seeking ERDF** identify which priorities and objectives within the [Yorkshire & Humber 2007-13 Operational Programme](#) the project/programme contribute to and confirm that the ERDF team are aware of this project / programme.

This project contributes to the ERDF Operational Programme Priority 1 under Objectives 1 and 2.

Objective 1: “To stimulate and facilitate increased investment in innovation and R&D, engender a culture change and promote sustainable business practices”

Indicative activities:

Collaborative R&D programmes between businesses/universities/institutions developing new products & processes to improve business performance.

KTP is a conduit for businesses to access and utilise innovation and R&D with the intention of embedding new skills and processes within the company to enhance economic benefit and

sustainability. Thereby encouraging a cultural change where businesses share the risks and costs associated with innovation collaborations.

Objective 3: “To increase and support the exploitation and commercialisation of knowledge technologies and processes that underpin the future sustainability and growth of new and existing businesses and target clusters”

Indicative activities:

Support for businesses to sponsor/purchase R&D activity which will create new products and processes.

Knowledge/technology transfer between businesses/universities/institutions/FE.

KTP will stimulate collaborative working between businesses and HE/FE institutions to exploit new ideas and technology that will contribute to the sustainability of new and existing businesses in the Y&H region. In doing so, the project ensures that a culture of innovative research and technological development is embedded into commercial consciousness reinforcing growth into new and exciting commercial sectors, spurring new products and processes. By diversifying and modernising the market place, competitiveness is sustained and the regional economy is more likely to flourish.

The ERDF team have undertaken an initial assessment of the project and have provided technical support in the completion of the OBP.

1.4. Could the project / programme be eligible for other sources of **European funding** (e.g. [FP7](#), [URBACTII](#) or [INTERREG](#))? If so, please confirm that the European Strategy team are aware of this project / programme.

This project is not eligible for other sources of European Funding.

1.5. If the project / programme involves business support, how does it align with the [Business Support Simplification Programme](#) and which [product](#) does it comply with?

The KTP project directly aligns with the BSSP product ‘Knowledge Transfer Partnerships’. As one of the Solutions for Business products the KTP has an agreed product descriptor.

The KTP is a nationally recognised scheme. This product/project aims to increase knowledge exchange between businesses and knowledge base institutions, e.g. Higher Education Institutions, thereby encouraging a cultural change where businesses share the risks and costs associated with innovation collaborations

Description

Grants will be available to promote and enable knowledge development and exchange between businesses and knowledge base institutions. This product specifically supports:

- The placement of an under-graduate or graduate from a knowledge base institution working in a business with company staff to embed both technical and business skills and expertise of value to the business via a strategic project.

And

- Exchange of staff between businesses and knowledge base institutions.

Priority will be given where there is the potential to access significant new markets in technologies or applications of national or regional importance as defined nationally by the Technology Strategy Body on behalf of Department for Business Innovation and Skills (BIS), and the co-sponsors of this product, or regionally within the RDA Regional Economic Strategies. Grants will support broader innovation by engaging with knowledge base institutions in disciplines such as

the arts, the media, and the social sciences in addition to the traditional engineering, physical and life sciences by sectors including the creative and service sectors.

Marketing and Branding

Marketing and Branding will be in line with current BSSP guidance. The TSB in co-operation with The BSSP Central team are considering a marketing strap line description for KTP product.

TSB have been working with the BSSP central team are currently working towards co-branding on any material relating to the KTP product. The Co-branding would include the 'Solutions for Business' as well as The Technology Strategy Board, Yorkshire Forward and other Co-funders such as ERDF and Research Councils. In addition, the host knowledge base institution may brand as a co-brand in line with ERDF/BSSP guidelines.

In addition, Knowledge Transfer Partnerships (KTP) has been submitted by the TSB for key product brand status once key brand status and national BSSP co-branding guidelines have been finalised, differentiation by geographically location, sponsor and by specific field of technology or business application can be considered in more detail

1.6. Please explain the alignment of the project / programme with the **national or European strategic agenda**.

The project will address:

The European Union's '**Lisbon Agenda**'

The emphasis of the Lisbon Agenda was to be on innovation, skills and entrepreneurs and a number of targets were developed, one of which was that by 2010, R&D expenditure should be 3% of EU GDP. The European Commission recently revisited the question of European Innovation performance and issued a renewed set of Lisbon priorities which included:

- Encouraging innovation, entrepreneurship
- The growth of the knowledge economy
- Creating more and better jobs

These priorities align closely with those in the RES and are complementary to the vision and goals articulated in Regional Innovation Strategy and in the regional KTP scheme.

The use of ERDF to implement and deliver innovation strategies is encouraged by the EU, particularly in relation to the creation of environments conducive to innovation. The Lisbon Strategy was re-launched in 2005, supporting the ambition to "*increase regional competitiveness and employment*", by stimulating economic growth and competitiveness, creating employment and embedding innovation and R&D in industry. The two main targets under the relaunched strategy are to achieve by 2010:

- Total investment (public and private) investment of 3% GDP in R&D
- 70% employment

KTP's aligns with and supports the Lisbon Agenda by encouraging companies to collaborate with the knowledge base to invest in R&D with the aim of developing innovative products, processes and services, increasing productivity and company sustainability.

Lord Sainsbury's '**The race to the top**' *October 2007*:

Recommendation 9.2

To raise their impact on the economic performance of their regions, RDAs should shift their resources towards activities which support science and innovation, and, using business support schemes being developed through the Business Support Simplification Programme, should concentrate their efforts on four main areas:

- **user-driven collaborative R&D;**
- **knowledge transfer;**
- cluster development; and
- the start up and growth of new businesses.

Recommendation 9.3

The RDAs, TSB and SICs will collaborate to support innovation priorities that deliver the National Technology Strategy and Regional Economic Strategies. Utilising the Single Pot and European Regional Development Funds, each RDA will earmark investment to match fund TSB programmes on a case-by-case basis or as part of a regional prospectus.

2. Evidence of Need

2.1. Please explain the economic rationale for this project / programme, including the **market failure or equity objective** it seeks to address?

Economic Rationale

Innovation, defined as the successful exploitation of new ideas or ideas new to a business or sector, is a key driver of economic productivity, global competitiveness and higher standards of living. Improved levels of innovation performance are primarily delivered by businesses as measured in the Community Innovation Surveys (CIS) conducted every 4 years by EU member states.

Innovation is a process that frequently benefits from inputs from a number of sources, such as suppliers, customers and knowledge base institutions such as universities and research institutes that 'spill over' in to the wider business community. It is recognised that many businesses experience a market failure arising from information asymmetry, where they often lack effective mechanisms for achieving this in the context of generating successful new products, processes or services. This 'capability failure' may result from management defects, lack of understanding, learning capability or 'absorptive capacity' to make use of externally generated knowledge. People with a direct link to a knowledge base institution can embody the skills and often the real know how to effect innovative change but they do not spring up spontaneously. These barriers to developing collaborative working between businesses and between businesses and knowledge institutions can be particularly high, especially where technology is at the early stage of development.

Public sector funding and other support (e.g. standard IP agreements) can, therefore, help address these market failures, reducing the perceived and real risks and real costs for businesses of developing effective working relationships.

The enhancement of the KTP programme seeks to address two main market failures associated with innovation:

Imperfect information:

Many businesses are unaware or unconvinced of the benefits of R&D and may prefer to invest in short term ventures in order to reduce the risks associated.

Companies do not look to the knowledge base as a mechanism for gaining the innovative thinking required for the business to develop. Firstly a company has to understand what knowledge it knows and also have a good idea of what it does not know. Identifying what it does not know, then gaining access to that knowledge and then be able to understand and apply it is difficult.

Secondly, a company has to know what knowledge it needs and then have the skills in house to be able to interpret, implement and apply that knowledge. Given commercial pressures this can be hard for large companies but they can make small amounts of resource available to do this. For SMEs this process is particularly difficult both to resource and from the knowing and availability of skills point of view. People with a direct link to a knowledge base institution can embody the skills and often the real know how to effect innovative change. The enhancement of the KTP programme encourages interaction between the business and knowledge base by educating businesses on the advantages of adopting innovative activity and sharing the associated risks. Evidence is clear that innovation and R&D is beneficial if businesses are to remain regionally competitive – an issue which is evident within the regional, national and European policies and strategies, thereby clearly justifying the need for public sector intervention to enhance the current provisions for KTP's.

Positive externalities: Businesses fail to consider and appreciate that there are benefits of undertaking innovative activity and R&D beyond the scope of the company itself.

The 'technology spill over effect' is generally of value to the region but is not normally considered a benefit from the investment made by the company. This effect may initially work as a disincentive for businesses to invest in innovative activity as it is sometimes perceived as the competitor reaping the benefits of their investment. Actually, there are a number of value-added effects, most predominantly the stimulation of an innovative culture: as one company use innovation and R&D to revolutionise their products and processes, the link with the knowledge base strengthens and the successes become more evident to competitors who may then be inclined to invest in knowledge transfer. It also creates a more skilled workforce, which will in turn be beneficial to the regional economy as a whole and is another factor that the business will gain from but that is not necessarily taken into account in the cost/risk consideration. KTP is a mechanism that enables the appropriate knowledge source to be identified and exploited through people working together embedding the knowledge into the business. It is based on the concept of learning by doing, unlike consultancy, enabling company staff understand and implement the knowledge sought. KTP is an established scheme with proven results for business, it benefits the company, the KTP Associate who transfers the knowledge into research and case studies to support teaching.

In the current economic downturn, assisting companies and encouraging a sustainable and innovative regional economy is essential for them to maintain their competitive edge and ultimately, continue trading. The enhancement of the KTP programme in Y&H will encourage businesses to collaborate with the knowledge base, stimulating a cultural and economic change that will benefit the region substantially. Public sector funding and other support can help address market failures, reducing the perceived and real risks and costs for businesses of developing effective working relationships. In the short term this project will have an immediate impact on the links between business and the knowledge base. It will provide additional opportunities for businesses to link with the knowledge base in sectors that do not currently have access through this mechanism.

Regional position

The following indicators reinforce the need and advantages of knowledge transfer as a mechanism for encouraging innovative activity and enhancing the regional economy:

Productivity: Regional productivity as measured by Gross Value Added (GVA) per employee is significantly lower than that of both the rest of England and the UK (Y&H GVA/employee was £29,100 in 2003, compared to an average of £32,100 and £32,400 across England and the UK respectively). Economic forecasts suggest that regional GVA per worker should reach £38,808 by 2015, against a UK forecast of £42,456, indicating that without intervention a significant gap will remain between regional and UK performance. KTP paves the way for increased value by businesses by creating better and higher paid jobs and creating an environment for people to gain the capacity to succeed in these roles. The introduction of new, higher value products, processes and services through innovation is an important role to boost regional GVA.

R&D: R&D expenditure is often used as an indication of the amount of innovation that is occurring. Business R&D expenditure alone should not be taken as a proxy for total innovation activity, but it is an important contributory factor. In this context, regional business R&D expenditure expressed as a percentage of GVA is the lowest in the UK. In absolute terms, businesses in the region are second lowest in the country for levels of both total expenditure and employment in R&D activities. Catalysing more business R&D expenditure is a major regional challenge.

While Yorkshire & Humber underperforms in relation to business R&D expenditure, the region's Higher Education Institutions perform well. Expenditure in the universities on R&D is aligned with the national average, and the academic sector is nationally competitive. Furthermore, Yorkshire & the Humber is ranked highly for university spin-outs and graduate start-ups, suggesting the culture of innovation and enterprise in the region's HE Institutions is now starting to be better exploited commercially. The enhancement of the KTP programme in Y&H will encourage this culture to be transferred to the businesses.

Attitudes and Innovation Scorecards: The Survey focuses upon whether businesses believe creativity and innovation is contributory factor to business success. It became apparent from the survey that medium and large size firms find innovation much more important than SME's. The survey identifies the need to address the attitudes and understanding of innovation in SME's and provides an avenue for them to experience the benefits. The KTP projects is an avenue for any size business to access R&D and is particularly attractive to SME's due to the sharing of costs associated with the knowledge transfer.

Performance against Selected Criteria in the European Innovation Scorecard 2005

	Medium/High-Tech Employment in Manufacturing (% of total workforce)	Medium/High-Tech Employment in Services (% of total workforce)	High-Tech Patent Applications (per million population)
Y&H	5.6	3.2	15.3
UK	6.7	4.5	35.6
EU15	7.4	3.6	31.6

Source: Eurostat

Lisbon Targets

Comparing the region with the quantifiable Lisbon targets for R&D as a percentage of GDP, both the UK (2.1%) and the region (1.2%) are below the 2010 target of 3%. Business expenditure as a proportion of total R&D expenditure in the UK (68%) is just above the Lisbon target of 67% while the region, at 44%, is well below. Innovation is one of the four primary drivers of productivity, and represents the most influential factor in creating high value employment. A thriving and modern

economy will seek to encourage innovation in its businesses, education institutions and public sector. This requires investment in research and development for both its products and systems, and the transfer of knowledge and technology to create a high-added value economy. The regional economy underperforms the UK and EU15 average in most innovation-related factors.

Regional Innovation in Businesses: In May 2006 only 10% of businesses reported having any R&D link to universities. In addition, around a third of companies in the region have generally regarded creativity and innovation as a contributing factor to their business's competitiveness, which is below the national average. Therefore, where innovation and R&D are concerned, the region underperforms relative to the rest of the UK. The enhancement of the KTP programme will reinforce the benefits of collaborating with a knowledge base by utilising innovation and R&D to stimulate technological development.

2.2. Is the market failure or equity objective identified particularly relevant to the needs of **specific demographic groups**? If not, please explain why.

The low investment by businesses in innovation and R&D is region wide and spread across every commercial sector, it is not just one demographic group who is suffering from the market failure. The over arching aim of the KTP project is to improve access and utilisation of R&D across the region, thereby increasing the sustainability of businesses and improving the development of the economy. Therefore, all sectors of the community should benefit evenly and equably. In order to ensure that no specific demographic groups are inadvertently excluded, it will be necessary to consistently ensure that all partners fully understand and continuously engage in good practice.

2.3. Clearly demonstrate the **additionality** of investment, i.e. why Yorkshire Forward / ERDF funding is required.

Funding is required from Yorkshire Forward to address a clear market failure, to ensure the RES objectives are met and to implement the Regional Innovation strategy. ERDF investment will allow more classic and shorter KTP's to be run which will result in an increased amount of businesses and knowledge base collaborations, resulting in increased competitiveness and sustainability of the regional economy. In the current economic climate, it is more essential than ever that YF ensure that businesses have all avenues of support available to stimulate innovative thinking.

This is an extension of a national programme, which was highlighted in the Sainsbury Review and recommends that the number of national KTPs should be doubled. This was recognised in the Innovation Nation Report which promised to take forward this recommendation. There are currently, on average at any one time, 1000 KTPs running nationally: Y&H currently have 95 live KTPs (approx 10%). The current sponsor's of KTPs will continue to sponsor, and at an increased rate. The additional ERDF commitment to increasing Y&H from existing levels will lever addition projects into the region and thus increase the national share of KTPs.

In addition to the increasing the national share of KTPs in Y&H, the additional ERDF funding will counter any leakage of KTPs to other regions.

Smaller SME's in particular tend to be at a disadvantage as they often lack the understanding, and capability, to access the knowledge base for assistance. The KTP application structure incentivises first time engagement as KTP advisors are on hand to offer guidance throughout the process. This project will increase the delivery infrastructure required to increase the number KTPs in Y&H. The additional ERDF funds are required to put two new consultants in place to advise knowledge based institutions and businesses. Moreover, the Further Education sector in Y&H has been slow to become involved in KTPs. This project will establish a dedicated resource

to engage with the F.E. Sector and companies seeking collaboration with F.E. knowledge and expertise.

The addition of ERDF funds reduces the risk of collaborative projects for the participating companies. The cost of the collaboration is approximately £20,000 per annum for a small company paying 33% of the project costs, and £40,000 per annum for a Large company paying 67% of the project costs; the average overall project cost is £62,000 per annum. Thus the risk to the company associated with collaborative projects is reduced.

Moreover, the risk for the various funding bodies is reduced by spreading the risk between different funding organisations. As far as ERDF is concerned this maximises output for the amount of ERDF grant.

The KTP project engages partners, particularly Business Link, to incentivise businesses to consider KTP's as an option to improve their competitiveness. Without ERDF funding, the number of KTP's will remain the same. In doing so, many regional businesses will struggle to adopt the innovative thinking required to survive in a particularly difficult economic climate, the perception that innovation is too risky will remain, the low levels of collaboration with the knowledge base continue and low investment in R&D amongst SME's will persist.

2.4. Please explain how this project / programme links to other **complementary or related activity**. Is this project / programme dependent upon other activity or likely to be constrained or otherwise affected by it?

Knowledge Transfer Partnerships are an essential mechanism for introducing businesses to the benefits of adopting innovative thinking and collaborating with a knowledge base to ease this transitional process. The Y&H KTP project will contribute to a regional drive to enhance innovation and R&D uptake, working alongside the following activities:

Existing Knowledge Transfer Partnerships (KTPs):

TSB have over 20 years experience in implementing KTP's and the mechanisms are already in place to ensure that the project focus of enhancing KTP's in Y&H will be implemented efficiently through processes already in place and monitored by AEA. The Northwest and Southwest RDA's have already recognised the benefits of matching TSB funding and understand that encouraging innovation and R&D in the region will enhance business sustainability, competitiveness and technological advancements that may otherwise be missed. ERDF funding will ensure that the Y&H region are able to utilise the benefits of KTP's programme that is currently being run across the UK. By increasing investment in knowledge partnerships, the Y&H economy has the opportunity to further align itself with more developed regions.

Collaborative research and development:

TSB also fund this scheme which involves projects focusing business and researchers working together to deliver successful new technology-based products and services. Over 700 CR&D projects have received investment since 2004, amounting to over £1 billion. KTP's run parallel to this activity as a mechanism for businesses and HE/FE institutions to reap the benefits of R&D while sharing the costs of the investment.

Knowledge Transfer Networks (KTNs):

KTN, also a Technology Strategy Board product, is a national network in a specific field of technology or business application, which brings together people from businesses, universities, research, finance and technology organisations in order to stimulate innovation through knowledge transfer and sharing of ideas. All KTN members will have knowledge of the enhancement of the KTP funding in the Y&H area and will be in a position to spread this knowledge and resultantly, increase interest and uptake of KTP's.

Business Link and business support:

Business Link (BLY) is the primary access for businesses seeking advice and guidance. BLY has a policy product range which already includes 'Solutions for Businesses' and 'Knowledge Transfer Partnerships' which revolve around stimulating businesses to recognise the advantages of and adopting the benefits of innovation and R&D. In the development of the ERDF KTP project, in depth consultation will be undertaken with BLY to ensure that the advantages of knowledge transfer are communicated to audiences that would otherwise not be aware of the scheme. The KTP programme is already seemingly integrated into the BLY service as part of a larger suite of business suite and as such, businesses have a primary avenue of knowledge regarding the KTP procedure. Therefore, BLY will be in a position to promote the enhancement of the KTP programme in Y&H.

Designing Demand:

A national business support programme, owned by The Design Council, delivered in partnership with the English RDA's and delivered region wide by Business Link. The project encourages SME's to become more creative in their business practices to stimulate profits, productivity and competitiveness, thereby increasing economic sustainability. By stimulating awareness of the positivity's of embracing innovative thinking, businesses will become aware of the advantages that a knowledge transfer partnership will bring. As the Designing Demand programme is delivered by Business Link Yorkshire, the knowledge of KTP's can be reinforced and resultantly, referrals can be made as the next step to integrating innovation and R&D into businesses to enhance global competitiveness and sustainability.

Innovation Futures:

Innovation Futures is a new team to mobilise Sheffield Hallam University's research and consultancy expertise. The project has several purposes:

- Delivering bespoke interdisciplinary interventions across priority industry sectors
- To embed R&D
- Contribute to the development of a region wide innovation ecosystem
- Promote transformational change and an innovation culture
- Increase business growth and business sales to create and sustain jobs

It is intended that the Innovation Futures team will generate a stream of KTP applications. By working closely with businesses, all parties will be able to recognise the benefits of innovative knowledge transfer and be more open to the suggestion of a formalised knowledge transfer partnership.

Innovation City Leeds (in development):

The project is led by the University of Leeds in partnership with Leeds Metropolitan University, Leeds city council and Leeds Teaching Hospitals NHS Trust and aims to further accelerate Leeds reputation as a centre for enterprise and innovation. Innovation City Leeds highlights the universities in Leeds as centre of excellence regarding innovation which makes them attractive candidates for the knowledge base required in a knowledge transfer partnership.

Innovation Specialist Service (in development):

The Innovation Specialist Service seeks to increase the innovation capability and capacity of regional businesses by enhancing awareness and creating a culture in which innovation can thrive, as well as focusing on supporting individual businesses by identifying areas for improvement and how innovation can assist in exploiting the commercial potential of their ideas. Business Link Yorkshire's have specialists with specific innovation expertise who have the capability to focus their attention on individual businesses and assist them in assessing their current position and develop the capability to indentify and exploit innovative activities. All Innovation Specialists will maintain their industry knowledge of innovation as well as regional, national and international opportunities for businesses to exploit. By continuously building upon already achieved expertise in the area of innovation, the Innovation Specialists ensure that the advice and guidance that they provide is up to date and invaluable.

It is intended that links will be made with the specialist service to promote the benefits of KTP's in the hope that the specialists will generate some referrals into the KTP scheme. In doing so, it enables KTP's to be seen as a 'next step' mechanism for embracing the benefits of innovative activity.

Innovation Vouchers (in development):

This project is a national scheme which forms one of the seven innovation products (pilot product) in the business support simplification programme as a means of generating new collaborations between SME's and the knowledge base. The aim of a voucher is to enable a business to buy support from a knowledge base in order to explore potential opportunities for future collaboration in developing and exploiting ideas.

Innovation Vouchers directly compliments KTP activity by providing businesses with an opportunity to further reduce the cost associated with undertaking collaboration with a knowledge base by applying for an innovation voucher which can be offset against the costs. Businesses will look to the KTP scheme as a low cost alternative to revolutionising its processes and products through innovative knowledge transfer. By aligning itself with Innovation Vouchers project, the risks associated are further reduced making KTP's a substantially more desirable option. In addition, the cross referral from companies applying for Innovation Vouchers will increase contact with KTP promotional material and the knowledge based institutions.

Networks for Innovation (in development): The aim of the project is to stimulate collaboration between companies with the potential to grow through innovation and a knowledge base by encouraging the exchange of ideas in areas of mutual interest and benefit.

The KTP project is the next step for the collaboration that this project initial stimulates. It is intended that the networks will refer informal collaborations to the KTP scheme where businesses and the knowledge base will be able to enter into a formalised agreement of knowledge transfer.

Centres of Industrial Collaboration (CICs): Funded by YDF and ERDF Objectives 1 and 2 in Yorkshire between 2003 and 2008, is a mechanism to market academic knowledge and expertise from a particular university department.

2.5. Are there external factors (e.g. legislation) which weigh heavily in favour of providing funding for the project / programme, and would a delay in the delivery of the project negate or reduce its impact?

There are a number of policy drivers at regional, national and international level, many of which are referenced in section 1 above; for example, the Regional Innovation Strategy, the Sainsbury review and the Lisbon agenda. There are also other drivers particularly relating to The knowledge base institutions, such as HEFCE and the Research Councils UK. All these external strategies and institutions are supportive of the drive to increase employer engagement, and collaboration between business and the knowledge base, through Knowledge Transfer activity. Each driver has a different rationale, but the main aims are similar; to promote economic and social benefit.

Other RDAs in areas in receipt of ERDF are already linking in ERDF funding to KTPs in some shape or form. As outlined in section 2.3 any delay in funding an increase in KTPs in Y&H could result in leakage of KTPs to other regions.

In addition, a delay in Y&H placing ERDF funding behind the national increase in KTPs could mean that Y&H businesses do not get the benefit from increased financial support from The TSB and Research agencies. If Yorkshire Forward does not support this national increase then the additional national resources could be diverted to other regions more supportive of KTPs

This project will be 'marketed' through sector organisations to their client base. The success of businesses, especially SMEs, will have a significant multiplier effect. In the latest KTP Annual

Report it is stated that for every £1m of public monies spent on this programme there is a £2.9m business profit increase, 43 new jobs created and 190 staff trained. Any delay in funding this project means a delay in the increased competitiveness of Y&H businesses, and a delay in the multiplier effect of these improvements.

3. Options

3.1. What is the project / programme trying to achieve? Please detail the **aims, objectives and expected outcomes**. As far as possible, objectives should be stated in general terms to allow proper consideration of a range of options to meet them.

Aims

The aim of the KTP project is to encourage collaborations between businesses and HE/FE institutions within Y&H to stimulate a culture of innovation and R&D, resulting in a sustainable, competitive regional economy.

Objectives

- Facilitate increased engagement across the Y & H region between companies and the HE/FE sector by placing a graduate in the business to act as a conduit for the knowledge base
- To use the KTP to identify the appropriate knowledge source within the HE/FE sector that the company needs to improve competitiveness.
- Stimulate innovative thinking in businesses in order to increase productivity and economic competitiveness
- To embed that knowledge in the business so that it can exploit the new capability improving its productivity.
- Stimulate the absorptive capacity of the business, and increase their readiness to innovate following conclusion of the KTP, and thus, stimulate increased innovation in companies in the region
- To increase the number of classic and shorter KTPs in the region at any one time; currently Y&H has 95 live KTPs. The project aims to increase the number by approximately 100.
- To retain well qualified people in the region, for the benefit of the economy of the region, by Provide company-based training for graduates.
- To stimulate and enhance business-relevant research undertaken by the academic institutions
- Create 14 new, from 53 to 76 running at any one time (this will significantly contribute to the TSB's planned increase from 53 to 149 KTP's running in Y&H at any one time).

Expected Outcomes:

- Ease of businesses to understand and undertake innovative activity
- Increased regional competitiveness and business sustainability
- Safeguarding and creating jobs in regional businesses
- Better use of knowledge base resources for regional economic benefit
- Encouragement of long term relationships between businesses and HE/FE institutions
- Higher skilled employees/technically experienced graduates

3.2. What **options** for delivering the outcomes have been considered? You should include in this section as a minimum the costs, benefits and risks of the:

- 'Do nothing' option
- Viable alternative option
- Preferred option, with brief justification

Option 1: Do Nothing	
Overview of option/details	Refuse ERDF funding to enhance the implementation of the KTP scheme in Y&H.
Main advantages	Save money.
Main disadvantages	Knowledge base collaborations and uptake of innovative activity and R&D will remain at the same levels within businesses in the Y&H region and the region will continue to fall behind other UK and European regions.
Impact on costs	Saving of £3.5m ERDF
Impact on outcomes/outputs	None will be delivered.
Extent of risk	High.
Reason of rejection	In the current economy, businesses are in great need of assistance. In particular, any avenue of support which allows them to undertake activity which will result in long term sustainability and improved competitiveness is desirable. In addition, YF's policies and strategies directly support the encouragement of innovative activity and R&D in developing the regional economy. Therefore, doing nothing would be detrimental to businesses and contradict YF's policies.

Option 2: Reduce ERDF funding	
Overview of option/details	Reduce the amount of funding available resulting in a lower scale enhancement of the KTP programme and restricted opportunity for regionally businesses.
Main advantages	Money will be saved.
Main disadvantages	Fewer businesses will be able to undertake a KTP and as a result, the benefits of R&D will not be as widespread resulting in a substantially lower impact on the regional economy. The ability of SMEs to access the KTP programme as a mechanism for increasing innovation and R&D within the Y&H region would be compromised, as less evidence of impact would be available. In addition, the region may lose additional funds from other funding sources such as the TSB and Research funding organisations that are allocated to KTP support.
Impact on costs	Dependent upon the reduction in allocated funds
Impact on outcomes/outputs	Project outputs would be substantially lower, again dependent upon the reduction of funding allocation, and the benefits of R&D activity may be less evident to businesses, due to the reduced economic impact, thereby reducing the incentive for other businesses to undertake knowledge transfer.
Extent of risk	Medium
Reason of rejection	The funds would be inefficiently used. Some of the funding is allocated to an increase in the infrastructure; for example, two new KTP consultants, and an FE hub to increase FE support for the KTP programme. These infrastructure costs would still be incurred, but would not operate to full capacity
Option 3: Motivate businesses to create links with the knowledge base, outside of the parameters of the official KTP scheme	
Overview of option/details	Create an alternative route for businesses to be able to access the knowledge available within HE/FE institutions.
Main advantages	Reviewing different options for the implementation of a business/knowledge base collaboration could create a more productive route for knowledge transfer implementation and delivery.
Main disadvantages	In order to create an alternative route, detailed investigation into past successes/failures and in depth consultation with the partners would need to be undertaken to ascertain the best alternative options available. Considering the state of the economy, businesses require increased assistance promptly to improve their competitiveness, and some to continue trading at all. It would be an excessive use of time and effort to, in effect, recreate a scheme that already exists and is successful in its methods and overall results.
Impact on costs	Dependent upon cost of alternative route
Impact on outcomes/outputs	Outcome/outputs would be dependant upon the success of being able to create and successfully implement an alternative route. Considering the amount of time and effort required to confirm an alternative route, it would be logical to assume that the outcomes and outputs would be highly delayed. In addition, there would be an increase in the cost of administering the support as it would duplicate an existing National system
Extent of risk	High.
Reason of rejection	The KTP scheme is already in place and benefits from years of experience in supporting businesses and encouraging collaborations with knowledge bases, it seems unnecessary to create another system which will simply run in parallel to and duplicate the existing services available.
Preferred Option	

Overview of option/details	Enhance the KTP programme as suggested in this business plan.
Main advantages	The size of the investment in the scheme allows for the optimum level of outputs and outcomes to be achieved. ERDF funding would be enhancing a scheme that is experienced and has proven results in business support and enhancing the development of economies through knowledge transfer.
Main disadvantages	None foreseen.
Impact on costs	Maximum use of existing KTP infrastructure, maximum SME benefit from £3.5m ERDF and £3.5m TSB funding
Impact on outcomes/outputs	Maximum number of collaborations will be instigated resulting in TSB targets for KTP increases to be met.
Extent of risk	Low

3.3. Please explain the **consultation** undertaken within Yorkshire Forward and externally in developing this proposal, and how this consultation has informed the selection of the preferred option.

Consulted	Date Consulted	Outcome of Consultation
Yorkshire Forward, Innovation Team	July 2009 - Ongoing	Initial consultation with the Innovation Team has highlighted the level of support within the YF for this project. In particular, the team have assisted in providing links to contacts who have been able to provide expertise during the development of the business plan.
Yorkshire Forward, ERDF Team	June 2009 - Ongoing	Liaison with ERDF team to discuss alignment with Operational programme and funding opportunities. There seems to be strong support for the enhancement of the KTP programme and the business plan is being developed in consultation with them.
English RDA's	July 2009 - Ongoing	The NorthWest and SouthWest RDA's are both developing projects to enhance the KTP in their respective regions. The benefits of undertaking an enhancement of the programme have been reinforced during consultation and have been developed with endorsement from the RDA's.
KTP Regional Advisors	August 2009 - Ongoing	Consultation revolved around understanding the perceived advantages of the KTP process regionally and how the partners interact with each other. The advisors put forth suggestions to enhance the marketing of the KTP scheme to ensure maximum utilisation of the funding.
AEA	August 2009 - Ongoing	Highly supportive of the enhancement. Consultation to confirm marketing and use of the electronic application process has been undertaken to confirm that capacity exists to support the anticipated increased interest in the scheme.
Business Link Yorkshire	September 2009 - Ongoing	Business Link Yorkshire has been identified as a key partner in the referral process to KTP's. The development of how this will be undertaken is currently being clarified with the BLY team to ensure maximum utilisation of the teams skills and expertise.
Yorkshire Universities	August 2009 - Ongoing	The universities are supportive of the scheme and the economic benefits of the scheme have been reinforced. During consultation, it has been made clear that they welcome the opportunity for additional funding support in the knowledge transfer area.

Business Link Yorkshire	8 th October and ongoing	Business Links Yorkshire know about KTPs and are happy to support these as a potential product/project to refer on to appropriate SMEs following their IDB service. Currently YF and BLY are working on a customer journey for inclusion in the FBP.
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3.4. What major **strategic risks** are associated with the project / programme? What action will be taken to manage or mitigate these risks, and will any sources of public funding would be lost to the region should the project / programme not receive funding?

Risk	Mitigation
Lower than anticipated uptake of partnership	TSB will manage and implement the programme and they have indicated that there is considerable unmet demand. The uptake of the partnerships will be monitored and the allocation will be reviewed regularly.
Insufficient graduates come forward to participate	AEA work closely with the knowledge providers to identify the graduates prior to committing to a new KTP.
Insufficient businesses come forward to participate	KTP's are being increased nationally and there is an active marketing communications strategy in place to ensure that demand continues to increase.
Low calibre of graduates	A strict recruitment procedure will be undertaken to ensure that the highest calibre of graduates are considered and the individual with the most applicable qualifications, motivation and experience considered for the position within the KTP programme.

4. Project Management (Preferred Option)

4.1. Describe the **key activities** to be undertaken, including initial estimates on headline costs for key elements with timescales for project implementation and completion for the preferred option.

Background and Rationale

KTP is a national scheme which has been led by the Technology Strategy Board (TSB) for over 20 years and directly contributes to the innovation products provided by the business support simplification programme. KTP is currently funded by twenty-one organisations, with the TSB providing 69% of the £30.1 million of public spend in 2008/2009.

Expenditure on KTP by sponsor type 2008/2009		
Sponsor	Expenditure (£Millions)	% of Total
Technology Strategy Board	21.4	68%
Research Councils	4.6	15%
Regional Development Agencies and Devolved Administration	4.7	15%
Central Government Departments	0.6	2%
Total	31.3	100%

Source: Technology Strategy Board : Strategic Review Feb 2010

There has been a substantial growth in the number of sponsors and total expenditure in the last 10 years. In 1998/99 there were only 11 sponsors and total expenditure was £18.4 million. The increase in the number of sponsors has mostly been due to the addition of Regional Development Agencies and the remaining research councils.

As the KTP is a national scheme funding is spread across the UK. The Sainsbury Review of Innovation in the UK recommended that number of KTP across the UK should double. This target was supported in the DIUS White Paper Innovation Nation. The Technology Strategy Board funding for KTP has been increased but this is not sufficient to achieve the target on its own. Existing funding organisations would also need to increase their contribution to KTP, additional funding organisations found and/or other funding sources employed. Those with a national remit have calls on each part of the UK and the Devolved Administrations and the other English RDAs would not fund projects in Yorkshire and Humberside. It is this context that Yorkshire Forward aims to invest ERDF funding to enhance the number of KTPs in Yorkshire and the Humber approximately £3.5m to enhance the KTP offering in Yorkshire and Humberside.

Part of the TSB financial settlement was that the Board's funds would be aligned with those of the RDAs. YF funding, however, is allocated to other priorities for Y&H so no additional funding available is via Single Pot funding. Current KTP spend in the Yorkshire and the Humber area is approximately £5.7m which buys around 95 projects of between one and three years in length at any one time. Assuming the Board's increase in funding follows the current proportions nationally and allowing for legacy projects (projects that are in existence before the start of a YF/ERDF supported project and unable to utilise ERDF funding) it is estimated that around £4.5m is available for matched funding from 1st April 2010 onwards (This includes £1.4m of company contribution).

Assuming funding is approved, the additional ERDF funding would enable the number of projects funded by all the national funders to increase from 95 to 150 at any one time in Y&H. Give the full utilisation of YF Single Pot funding to other priorities, matching ERDF against the funding that

the TSB is projected to spend in the area will enable the necessary fund to achieve the increase in project numbers.

Description - The individual KTP project

Support for an individual company takes the form a grant given to a Knowledge Based Institution (KBI) to provide a KTP to the company. The KBIs currently are mostly the Y&H Universities, However, there are FE colleges involved in delivering the expertise to the companies. Each KTP is a tripartite relationship between a company, a HE/FE institution and a recent graduate. In order to assist the company to identify, understand, apply and exploit the transfer of knowledge, the graduate is employed within the business to manage the project, and is assigned an academic mentor from the KBI. The Graduate acts as a 'translator' based in the company as one part of the KTP. The academic mentor supports the KTP (company and Graduate) ½ day per week throughout the duration of the project. Each KTP agrees a budget at the approval stage. The company can contribute more than required if it chooses to do so.

A Knowledge Transfer Partnership serves to meet a core strategic need and to identify innovative solutions to help a business grow. The KTP project is described at the application stage and focuses on an innovative strategic objective for the company, such as improvements in the production process, identification of new products, processes or markets. The aim of the KTP is to deliver significant increased profitability for the business partners as a direct result of the partnership, through improved quality and operations, increased sales and access to new markets. Social enterprises see improved results, too. An added benefit of the KTP is that the graduates are qualified at NVQ Level 4 (or equivalent) up to PhD. The graduate also undertakes specific education and training as part of the KTP. Note: Only elements focused on the company based project are eligible for ERDF funding; generic training and graduate focused education will not be eligible for ERDF support – detail of this will be outlined at the full business plan stage.

Grants will be available to promote and enable knowledge development and exchange between businesses and knowledge base institutions. This product specifically supports:

- The placement of an under-graduate or graduate from a knowledge base institution working in a business with company staff to embed both technical and business skills and expertise of value to the business via a strategic project.

And

- Exchange of staff between businesses and knowledge base institutions.

Priority will be given where there is the potential to access significant new markets in technologies or applications of national or regional importance as defined nationally by the Technology Strategy Body on behalf of Department for Business Innovation and Skills (BIS), and the co-sponsors of this product, or regionally within the RDA Regional Economic Strategies. Grants will support broader innovation by engaging with knowledge base institutions in disciplines such as the arts, the media, and the social sciences in addition to the traditional engineering, physical and life sciences by sectors including the creative and service sectors.

The overall KTP enhancement project will fund both 'classic' KTPs and 'Shorter' KTPs (SKTPs) in the region. The overall project geographic split will be 55% South Yorkshire and 45% in the Rest of the Region. A Classic KTP project operates for between 1-3 years while an SKTP operates between 10-40 weeks. Each individual KTP project is part-funded by a government grant – normally 60% for a micro business or an SME, and 40% for a large enterprise. The remaining costs are met by the company partner. As there are a number of variables, and the overall project is demand led by the SMEs/KBIs there are budgets set for each type of KTP and each geographic area within Y&H. (See later in this section) The geographic location of the KTP is set by the location of the company, not the supporting KBI.

Eligible customers

- Businesses from ERDF eligible sectors from across Y&H have the willingness and potential to develop innovative products, processes or services.
- Businesses seeking to establish a base in Y&H to engage in innovation collaborative activities with businesses and knowledge base institutions in England.
- Knowledge base institutions in the England who are willing to engage as delivery channels with the primary purpose of assisting businesses in Y&H to exploit knowledge through new products, services and processes.

The eligibility of Businesses and knowledge base institutions supported will be checked in line with ERDF Eligibility criteria (Chapter 2, sections 6.16 – 6.20) and will exclude sectors ineligible for ERDF support; such as: fishery and aquaculture sectors, primary production, processing and marketing of agricultural products, coal, steel and shipbuilding sectors, the synthetic fibres sector, Banking and insurance companies.

Benefits

The quantifiable benefits for businesses are:

- Improved business ability to exploit ideas;
- New skills and knowledge retained in businesses;
- Better use of knowledge base resources for economic benefit;
- Increase productivity, competitiveness and turnover;
- Shared financial and technological risk during research and development activities.
- More products, processes, and services brought to the market sooner;
- An increased pool of business ready 'graduates' available for business to draw on.

Access Channel

The Technology Strategy Board as the delivery body for this product is already working with Business Link at a National level as the primary access channel. Business Link advisors are sufficiently briefed on the product to raise awareness and direct eligible businesses to the appropriate national website to access outline proposal forms and guidance notes as part of their generic IDB function. The Business Link.gov.uk website also directs enquiries to this product on the delivery body websites through various themes (e.g. finance and grants, exploit your idea).

A local Yorkshire and Humberside meeting is arranged with Business Link Yorkshire for the 8th October 2009 to discuss details of the customer journey. This meeting will inform local arrangements.

KTP average budget

Working on average amount and average lengths of projects, the budgets are set below:

Outline Business Plan pro-forma for Yorkshire Forward Single Pot and/or European Regional Development Fund



Individual KTP costs	Annual cost	Monthly	2year	average Length (1)	SKTP 6Months (2)	SKTP 10 months	149
Graduate/associate employment costs: Salary, N.I. Pen.	27,000	2,250	54,000	58,500	13,500	22,500	8,716,500
Associate Development	2,000	167	4,000	4,333	1,000	1,667	645,667
Travel & Subsistence	2,250	188	4,500	4,875	1,125	1,875	726,375
Equip/Consumables	1,500	125	3,000	3,250	750	1,250	484,250
Knowledge base Academic support costs: Salary, N.I.Pen (1/2 day @ 10% Tot employ cost)	9,000	750	18,000	19,500	4,500	7,500	2,905,500
Academic indirect costs - National agreed ERDF eligible @20%	1,800	150	3,600	3,900	900	1,500	581,100
Academic indirect costs - ineligible @30%	2,700	225	5,400	5,850	1,350	2,250	871,650
Associate indirect costs National agreed ERDF eligible @ 20%	5,400	450	10,800	11,700	2,700	4,500	1,743,300
Associate indirect costs National agreed ERDF ineligible @ 30%	8100	675	16200	17550	4050	6750	2614950
Total	59,750	4,979	119,500	129,458	29,875	49,792	19,289,292
Total Ineligible cost	12,800	1,067	25,600	27,733	21% 6,400	10,667	21% 4,132,267
Total excluding Ineligible costs	46,950	3,913	93,900	101,725	23,475	39,125	15,157,025

Notes	
Average cost of knowledge base salary = £60,000	
	Ineligible ERDF expenditure

(1) Average length of Classic KTP - 26 months
(2) SKTP 6 month value of project used on page 2 to scale up SKTP costs



Each individual KTP project can vary in length so the above individual budgets are used to scale up the project for each type of KTP (Classic or Short), on the basis of an average length of 26 months for a classic KTP and 6 months for an SKTP.

The Graduate/Associate employment cost can also include the recruitment of the graduate for the classic KTP. Although, with the SKTP the Graduate/Associate can be identified from a number of sources: the Associate can be identified by the company partner, and may even already be an employee of the company; or the Associate could already be an employee of the supporting university. The difference in recruitment of the Graduate/Associate in the SKTP is due to the shorter duration of the SKTP compared to the Classic KTP, where speed is of the essence.

KTP Consultants and FE College Hub

The overall project will also support two strands of additional activity required to translate the increase the demand for KTPs in the Region to live KTP projects. Specifically, the overall project will increase the number of KTP consultants by two; funding one with a SY remit and one with a RoR remit. The project will also establish an FE consultant based within an FE college Hub; funding both the consultant's costs and the office running cost.

The role of the KTP adviser has been identified as critical in assisting the development of the relationship between the KBI and the individual company in Y&H. In addition, the KTP adviser also has a very good understanding of the academic strengths of each KBI in the region and fulfils a brokerage role in bringing together the appropriate KBI with companies enquiring about KTPs. Finally the KTP advisor is critical source of experience on structuring the KTP aims and objectives. Many of the academics from the KBIs are inexperienced in specifying a project appropriately fro the approval process. The KTP advisor is a consultant and will be procured in the same manner as existing KTP consultant in the region – the details of procurement will be given at full business plan.

Although FE colleges are acceptable academic partners for KTPs, the history of involvement of FE colleges in the Y&H region is poor. The overall KTP project requires an FE hub in order to bring in the FE sector within Y&H. The overall project will fund a new post of FE consultant and an administrator. The hub also be funded for set up and running costs for three years. The details of procurement have still to be determined – whether the amount of funds available requires an OJEU procurement has still to be decided. Procurement on an annual basis may be preferential to OJEU. A decision will be taken before FBP.

Additional KTP delivery costs	Year 1	Year 2	Year 3	Total
KTP Consultant SY	30,000	30,000	30,000	90,000
KTP Consultant RoR	30,000	30,000	30,000	90,000
KTP Consultant (FE)	30,000	30,000	30,000	90,000
KTP FE admin	23,000	23,000	23,000	69,000
KTP FE Premises, overheads & office costs	16,000	10,000	10,000	36,000
Total	129,000	123,000	123,000	375,000

KTP management in Yorkshire and Humberside

In addition the increase in the number of KTP advisors, and the new FE Hub, the enhancement of the KTP offering in Y&H will require an increase in the management and administration, specifically required to support the enhancement of KTP by YF/ERDF funds in Y&H. The introduction of the ERDF funding into the mix of KTP national funding sources, combined with the increase in the number of KTPs in the region, will result in an increase in the management requirements for delivery. The TSB will increase capacity to deliver the KTP application process, but there will be increased management and administration around Y&H KTP co-ordination, Y&H ERDF compliance, Y&H ERDF claiming and auditing. The co-ordination, compliance, claiming and auditing will all be specific to Y&H, and as such, It is proposed that the staffing this management remains in Y&H to ensure hands on with delivery, and close links with Yorkshire Forward/ERDF.

Additional KTP Infrastructure costs

Additional Infrastructure staff cost	30,000	30,000	30,000	90,000
Additional Infrastructure premises and office cost	9,000			
Additional infrastructure overheads cost @ 20%	6,000	10,000	10,000	26,000
university co-ordinator	12,000	12,000	11,500	35,500
Total	57,000	52,000	51,500	151,500

South Yorkshire and Rest of Region Delivery Split and Budget

As mentioned earlier in this section, there is a number variables to consider when delivering the enhancement to the National KTP offering; the variable length of the projects, the location of the companies in SY or the RoR, whether the company is an SME or a large company, and the difference between classic KTP and SKTP. Using the average costs of an individual KTP project (average budget above supplied by the TSB), and a 55% / 45% split between SY and the RoR respectively, a table of costs for SY and RoR, large company or SME, and classic KTP / SKTP has been developed (See below). This table assumes greater up take of KTPs by Large companies in RoR and greater number of SMEs proportionately in SY. This is to reflect the bias in the business base within each of the sub regions.

In each table there is a number of KTPs (Classic and Short) for each type of business and in each geographic area. Behind each type of KTP and each geographic location, there is an average individual KTP project budget. These overall budgets reflect indicative spend. The eventual submission for Full Business Plan will have a more detailed breakdown, but these too will have to be indicative spend, as there is no way to fully predict how many KTPs will come forward in each KTP category (Classic/Shorter), in which sub region (SY/RoR) and involving which type of company (SME/Large company). Targeting of the sub regions to a 55% / 45% split may have to be reviewed on an annual basis.

Initial Yorkshire Enhanced KTP project split for South Yorkshire and Rest of Region

South Yorkshire indicative numbers and budgets

South Yorkshire Classic KTP in Large companies

Area	Type of KTP	Cost	Int Rate	Cost	source of funds	Number of KTPs	cost	
SY	classic - Large	101,725	40%	£40,690	ERDF	8	£325,520	
			40%	£40,690	TSB		£325,520	
			20%	£20,345	Company		£162,760	
SY inelig	classic - Large	27,733	100%	£27,733	Company	8	£221,867	£384,627
		129,458	37%	£129,458	£48,078	9.30%	% of SY total	
					£22,190	5.33%	% of overall total	

South Yorkshire shorter KTP in Large companies

SY	SKTP - large	23,475	40%	£9,390	ERDF	15	140,850	
			40%	£9,390	TSB		140,850	
			20%	£4,695	Company		70,425	
SY inelig	SKTP - large	6,400	100%	£6,400	Company	15	£96,000	£166,425
		29,875	37%	£29,875	£11,095	17.44%	% of SY total	
					£5,121	10.00%	% of overall total	

South Yorkshire Classic KTP in SMEs

SY	classic - SME	101,725	40%	£40,690	ERDF	18	732,420	
			40%	£40,690	TSB		732,420	
			20%	£20,345	Company		366,210	
SY inelig	classic - SME	27,733	100%	£27,733	Company	18	£499,200	£865,410
		129,458	37%	£129,458	£48,078	20.93%	% of SY total	
					£22,190	12.00%	% of overall total	

South Yorkshire Shorter in SMEs

SY	SKTP - SME	23,475	40%	£9,390	ERDF	45	422,550	
			40%	£9,390	TSB		422,550	
			20%	£4,695	Company		211,275	
SY inelig	SKTP - SME	6,400	100%	£6,400	Company	45	£288,000	£499,275
		29,875	37%	£29,875	£11,095	52.33%	% of SY total	
					£5,121	30.00%	% of overall total	

South Yorkshire overall KTP delivery costs and income

£4,053,350	Total Eligible Project costs for South York	ERDF Total	86	1,621,340	
		TSB Total		£1,621,340	
		Company		810,670	
1,105,067	Total Ineleg costs SY	Company	86	1,105,067	1,915,737
£5,158,417			54.53%	% of overall total	

Rest of Region indicative numbers and budgets

Rest of Region Classic KTP in Large companies

RoR	classic - Large	101,725	40%	£40,690	ERDF	12	488,280	576,940
			40%	£40,690	TSB		488,280	
			20%	£20,345	Company		244,140	
RoR	classic - Large	27,733	100%	£27,733	Company	12	332,800	576,940
		129,458	37%	£129,458	£48,078	18.75%	% of RoR Total	
					£22,190	8.00%	% of overall total	

Rest of Region shorter KTP in Large companies

RoR	SKTP - large	23,475	40%	£9,390	ERDF	20	187,800	221,900
			40%	£9,390	TSB		187,800	
			20%	£4,695	Company		93,900	
RoR	SKTP - large	6,400	100%	£6,400	Company	20	128,000	221,900
		29,875	37%	£29,875	£11,095	31.25%	% of RoR Total	
					£5,121	13.33%	% of overall total	

Rest of Region Classic KTP in SMEs

RoR	classic - SME	101,725	40%	£40,690	ERDF	12	488,280	576,940
			40%	£40,690	TSB		488,280	
			20%	£20,345	Company		244,140	
RoR	classic - SME	27,733	100%	£27,733	Company	12	332,800	576,940
		129,458	37%	£129,458	£48,078	18.75%	% of RoR Total	
					£22,190	8.00%	% of overall total	

Rest of Region Shorter in SMEs

RoR	SKTP - SME	23,475	40%	£9,390	ERDF	20	187,800	221,900
			40%	£9,390	TSB		187,800	
			20%	£4,695	Company		93,900	
RoR	SKTP - SME	6,400	100%	£6,400	Company	20	128,000	221,900
		29,875	37%	£29,875	£11,095	31.25%	% of RoR Total	
					£5,121	13.33%	% of overall total	

Rest of Region overall KTP delivery costs and income

3,380,400	Total Eligible Project costs for Rest of Reg	ERDF Total	64	1,352,160	1,597,680
		TSB Total		1,352,160	
		Company		676,080	
921,600	Total Ineligible costs	Company	64	921,600	1,597,680
4,302,000			45.47%		

Overall funding and KTP split

Sub-Reg	Size of Company	Type	Number of KTPs
SY	Large comp	Classic	8
	Large comp	SKTP	15
	SME	Classic	18
	SME	SKTP	45
South Yorkshire Total			86
RoR	Large comp	Classic	12
	Large comp	SKTP	20
	SME	Classic	12
	SME	SKTP	20
Rest of Region Total			64

Combined overall KTP delivery cost and income

7,433,750	Total Overall Project Eligible project costs	ERDF Total		2,973,500
		TSB Total		2,973,500
		Company		1,486,750
2,026,667	Total Overall Project Ineligible proj costs	Company	150	2,026,667
9,460,417	overall KTP budgets			9,460,417
526,500	additional Infrastructure costs			
9,986,917	Total project costs			

Source	ERDF		Other Public External Funding (Tech Strat Board)		Private		TOTAL	
	Cap	Rev	Cap	Rev	Cap	Rev	Cap	Rev
2010/11		875,000		743,375		371,688	-	1,990,063
2011/12		1,166,667		991,167		495,583	-	2,653,417
2012/13		1,458,333		1,238,958		619,479	-	3,316,771
TOTAL		3,500,000		2,973,500		1,486,750	-	7,960,250

4.2. How is the project / programme designed to ensure that the expected benefits can be realised by all sections of the community, and specifically, is there a need for targeted assistance to secure **economic inclusion**? For Projects seeking ERDF funding, please also complete the Equalities & Diversity checklist available on the Yorkshire Forward website

The market failure being addressed: low investment by regional businesses in R&D, is systematic and region-wide, rather than being specific to any particular demographic group. If the initiative is successful in improving the regional economy sustainably, all demographic groups and all communities should benefit. To ensure that the benefits of the initiative are evenly and equably distributed, it will, however, be necessary to take steps to specifically engage particular communities and geographic areas. These areas will be subject to tailored marketing and targeting plans and contain specific reference to equality and diversity measures that may be required.

YF and BLY will ensure that all partners are aware of and abide by best practice to ensure the inclusion of all regional citizens and the exclusion of none. This will include awareness and commitment to equality and diversity, such as disability access issues; publication and promotion of successful case studies covering a multitude of businesses, including those owned by women and members of BAME communities; and presentation of information in alternative formats where appropriate.

4.3. **How will the project / programme be managed and delivered? Which other organisations** will be involved in project management and delivery, and what will be their contribution and why the delivery partner(s) for the preferred option have been selected based on evidence of capability and past performance. Does this project involve **YF taking an interest in or setting up a company**? Will **CPRG approval** be required or are any consents required before delivery? Will a full **OJEU tender** be required?

Knowledge Transfer Partnerships is a National Programme and the activity is funded by a number of different government organisations and research councils. The strategic direction and policy relating to KTP is determined through the KTP Management Board, which consists of representatives of all the organisations funding the National KTP programme. The Board meets four times a year and the agreed strategy is published in the KTP strategic plan. The Technology Strategy Board is the lead government funding organisation and provides the secretariat for the Board and also the overall management of the activity in line with the agreed strategy. The TSB management team manage the delivery of the policy and all financial aspects of the activity on behalf of the other funding organisations. There will also be an agreement between the Technology Strategy Board (TSB) and Yorkshire Forward (YF) to ensure compliance with all YF terms & conditions.

The day to day management and delivery of KTP is currently contracted out by the Technology Strategy Board on behalf of all the government funding organisations. The current contractor is AEA group, and was procured in open competition in 2004. The KTP September Board meeting agreed to extend the AEA delivery contract up to the 31 December 2010. Public procurement rules were followed. The re-procurement and the of the service contract will take place in 2010, with service delivery to start in January 2011 and will comply with ERDF/OJEU procurement procedures.

The service contract provides the front and back office functions necessary to support and run KTP nationally. The service contract includes: the national promotion of KTP, maintenance of the brand and website through which the back office functions are channelled. The core service activity covers the receipt, processing and approval of new applications. The service

contract also includes: monitoring of approved projects against the agreed work-plan, checking of the KTP grant claims against progress, and recommendation on whether to approve payment to TSB. The contractor is responsible for maintaining the project records and analysis of them to support management and decision making. Moreover, the contractor is also responsible for the running and management of the team of KTP Advisers, and the provision of the Associates Development Course that meet national Management Standards.

The bulk of new KTP projects are initially developed by the KTP Offices located in HEIs. The KTP Offices are not funded directly through KTP programme. Initial contacts will also come through the Business Link network in England. In Yorkshire this is Business Link Yorkshire. KTP Advisers subcontracted to the managing contractor, and provide independent advice to prospective partnerships in the application process. The KTP advisors also monitor approved projects and provide additional support to KTP Associates. An additional KTP Adviser will be required for the convergence area and a second to deal with the increase in the competitiveness the area.

Evaluation

A Final evaluation of the KTP programme will be undertaken by Regeneris on behalf of the TSB as part of the national evaluation process. YF procurement will review the procurement of the TSB evaluation

4.4. Please state what method will be used to **evaluate** the project / programme (see [Evaluation Guidance](#)):

- external independent evaluation
- internal review / self-evaluation
- independent evaluation as part of a wider programme evaluation (please state the programme)

The proposed approach must be discussed with the Evaluation team prior to submission of the Outline Business Plan, with relevant timing and costs built into the project / programme.

As a national programme there are various levels of evaluation. In addition, as the current delivery contract will finish on 31 December 2010, the Strategic Evaluation for the KTP programme has already been procured prior to completion of this Outline Business Plan.

On completion of each KTP project the company and the knowledge base partner jointly submit a final report on the project to a format specified by KTP. In addition the KTP Associate also submits a separate Final report on the project. This report is also in an agreed format and is consistent with the needs of the Diploma in Management that each Associate undertakes as apart of participating in KTP. This report forms part of material required for the Associate to become a Chartered Manager. The reporting process described is applied across the UK with all KTP projects.

The aggregated results, drawn from these Final Reports, are published each year in the KTP Annual Report. The Report indicates the average increase in profit before tax for a company, the number of staff trained, the number of jobs created, the average amount of R&D or capital expenditure necessary to exploit the outputs of the KTP project. It also records the benefits to the academic partner in terms of projects new research themes and papers published plus whether the KTP Associate was offered and accepted a post in the host company on project completion.

A post completion reporting system is being trialled. It aims to gather information on the outcomes of projects two years on from their original completion date. It has been recognised

that the usual final report process does not capture all the potential outcomes, particularly in respect of the benefits to the academics where papers are produced and then reviewed which takes some time. Also the company outcomes are speculative the later review date would harden up the real benefits to the business. Thirdly it does not track the length of time the Associate stays with the company; this process now aims to do this.

Historic data is available on projects over the past 20 years so year on year comparisons can be made. Consistency of results over the years can be seen and therefore any forecasts on future outcomes can be made with some confidence. Data collected is used to review the operational aspects of the scheme and make adjustments as appropriate

Finally it has been the practice to undertake an independent review of the operational and economic outcome of KTP on a five year cycle. A quinquennial review is now overdue and it is intended that one will be undertaken within the next two years. In addition to the continual assessment these Independent reviews consider the effectiveness of the operational procedures and make recommendations to government on beneficial changes.

These processes are in place and working continual analysis of the trends allows potential issues to be identified and action taken early. So there is continual evaluation of the scheme. The independent review of the scheme as a whole considers all the operational aspects against the background of the planned growth in project numbers. It will look at whether the structures in place are appropriate for the activity level and make recommendations on the way forward. It should be borne in mind that operational changes take a little while for them to work through the system.

4.5. Capital build elements should meet the Building Research Establishment Environmental Assessment Method ([BREEAM](#)), or equivalent, environmental performance standard for buildings 'Very Good' or 'Excellent'. Please state which rating will be achieved and outline the key environmental impacts identified.

N/A

4.6. What significant **environmental issues** have been identified from the Sustainable Development Assessment and the Green House Gases forecasting and Inventory tool? For projects seeking ERDF funding, please also complete the Environmental Good Practice checklist available on the Yorkshire Forward website

The operation of the scheme is designed to reduce the effect on the environment. The whole process is now electronic in origin. Careful selection of the areas covered by the KTP Advisers helps to minimise travel necessary within a difficult geographic region. Environmental issues the whole KTP process is now electronic based very little use of paper in the system. KTP Advisers patches are arranged such that travelling is minimised where possible

5. Outputs, Outcomes and Results

Contribution to Targets

5.1. The table asks you to capture the **outcomes and benefits** of your project and to group these by the category of **Strategic Added Value (SAV)** that your project is most clearly going to contribute to. (See guidance for further information and examples)

SAV Category	Baseline Position	Target Position	How will this be Evidenced
Strategic catalyst role/regional economic leadership	Low investment by regional SMEs in R&D	Increased investment in innovation / R&D activity increases; new products created – improves competitiveness of businesses in the region, improves productivity, output and profits.	Measured via regular monitoring and regional reporting on turnover, employment rates and uptake of innovative activity.
	Limited appetite for innovation in businesses	Increased skills development of workforce as a result of innovation and R&D developments	
	Poor collaboration history between businesses and HE/FE institutions	Strong links secured between businesses and knowledge base to encourage	

		transfer of innovative thinking and development of products and processes	
Contribution to broader policy-development/ intelligence	Currently a paucity of data in identifying research into R&D activity amongst regional SMEs (which are particularly poor, in comparison with the rest of the UK).	Evaluation of the enhancement of the KTP scheme could help YF and BLY to confirm what drives a business to adopt R&D and what processes can be put in place to stimulate an interest in this area. This will help develop future support to improve innovation and R&D uptake across the region which will assist in implementing the RES.	During the evaluation process, SME's attitudes and overviews of the KTP procedure will be assessed.
Cross-regional partnership	Although the KTP programme is cross-regional, businesses within the Y&H region are not benefiting as much as they could. As part of Lord Sainsbury Report, it	YF building upon the advice and experience of other English RDA's, and working alongside their respective programmes, to enhance the opportunities for	Regular consultation between regions on delivery/management/best practice issues.

Outline Business Plan

	was noted that the number of KTP's need to double across the UK.	KTP's within the Y&H region.	
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*Notes

There are two criteria for determining whether the project needs to complete the SAV table being: i) whether or not SAV is a significant part of the project's rationale; and ii) whether or not the outputs significantly reflect the amount of funding being applied for.

5.2. How does the project contribute to **Yorkshire Forward and European output measures?**

Please refer to **guidance for Definitions of Outputs** for further details of these targets.

Direct Output (Please note that these should be DIRECT outputs and exclude INDIRECT outputs.)	Estimated Contribution	Estimated date to be achieved
Yorkshire Forward		
O1 Job creation		
O2 Business Creation		
O3 Business support (Businesses assisted – min 2 hours per business)		
O3(a) no. intensively assisted to improve their performance		
O3(b) no. engaged in new collaborations with knowledge base	97	
O4 Regeneration Brownfield land reclaimed &/or redeveloped		
O5 Employment Support		
O6 Skills (People Assisted – min 6hrs per person)		
O6(a) no. of adults gaining basic skills		
O6(b) no. of adults in work who are supported to achieve at least level 2 or equivalent		
O6(c) no adults in work supported to achieve a higher level qualification		
O7 Financial – Public & Private Sector Regeneration Infrastructure Investment Levered (Physical Investment Levered - £)		
O8 Sustainable Development (Reduce Green House Gas Emissions)		
O9 Private Sector Investment Levered £m (exec. regen.)	£2,026,667	
O10 Businesses with R & D leveraged by RDA engagement	97	
European Indicators		
Gross new jobs created	203	
Gross jobs safeguarded	111	
No of new businesses created	0	
Gross increase in GVA	£8,445,000	
No of businesses assisted that are SMEs	54	
New or upgraded floorspace (sq m)	0	
Other - include as many other priority specific indicators as appropriate (refer to Operational Programme for indicators)		
Cross-cutting theme targets (refer to Operational Programme and guidance)	TBC at FBP	

6. State Aid

Where public funds subsidise activity, either directly or indirectly, that could potentially affect competition between EU Member States, the assistance provided will need to conform to EC State Aids rules. The types of activity covered include, for example, benefits to the private sector, e.g. grants to firms for investment, R&D, training or reduced cost business consultancy. It could also include benefits to the public sector where it is engaged in 'economic undertaking' e.g. provision of managed workspace or revenue generating infrastructure. **It is vitally important to establish whether State Aid provisions apply to the project and, if so, whether the relevant procedures have been followed.** *Please refer to the guidance notes, and if necessary, contact relevant YF/EU team if you are unsure about what constitutes state aid.*

6.1. Will the project involve **State Aid**?

Yes: The project will incentivise and motivate the engagement of regional businesses in knowledge-transfer / research & development processes to increase efficiency and improve competitiveness within target industry sectors within the region. As public monies will partially fund the project and the individual Knowledge Transfer Partnership, the project will may constitute state aid.

The project budgets for each individual KTP is set, but the participating company may enhance the budgets according to the needs of the individual company based project. The further enhancement to the project work undertaken by the individual business will not involve state aid.

The Technology Strategy Board as product administrators should seek advice if the product changes or aid levels rise over time.

If YES,

i) Is it coming forward under a notified 'Block Exemption' scheme? (Please give details)

The project will operate within De Minimis limits (up to €200,000 of aid to a firm over a 3 fiscal year period). In order to administer the project within the de minimis regulations, The TSB will work with participating Knowledge base institutions (HEIs and FE colleges) to:

- Inform the recipient in writing of the prospective amount of aid and of its de minimis character, referring to the de minimis regulation;
- Obtain from the recipient full information about any other de minimis aid received during the previous two fiscal years and the current fiscal year;
- Only grant the new de minimis aid after having checked that this will not raise the total amount of de minimis aid received by the undertaking during the relevant period of three years to a level above the permitted ceiling.
- Keep records of all de minimis aid paid for ten years from the last payment.

ii) Does the Commission need to be notified? Has it been approved? (Please supply Notification number, date of notification to commission, approval date, the amount of aid and the £ to € exchange rate used.

If NO,

iii) If you have answered "No" you must give a full explanation justifying your answer

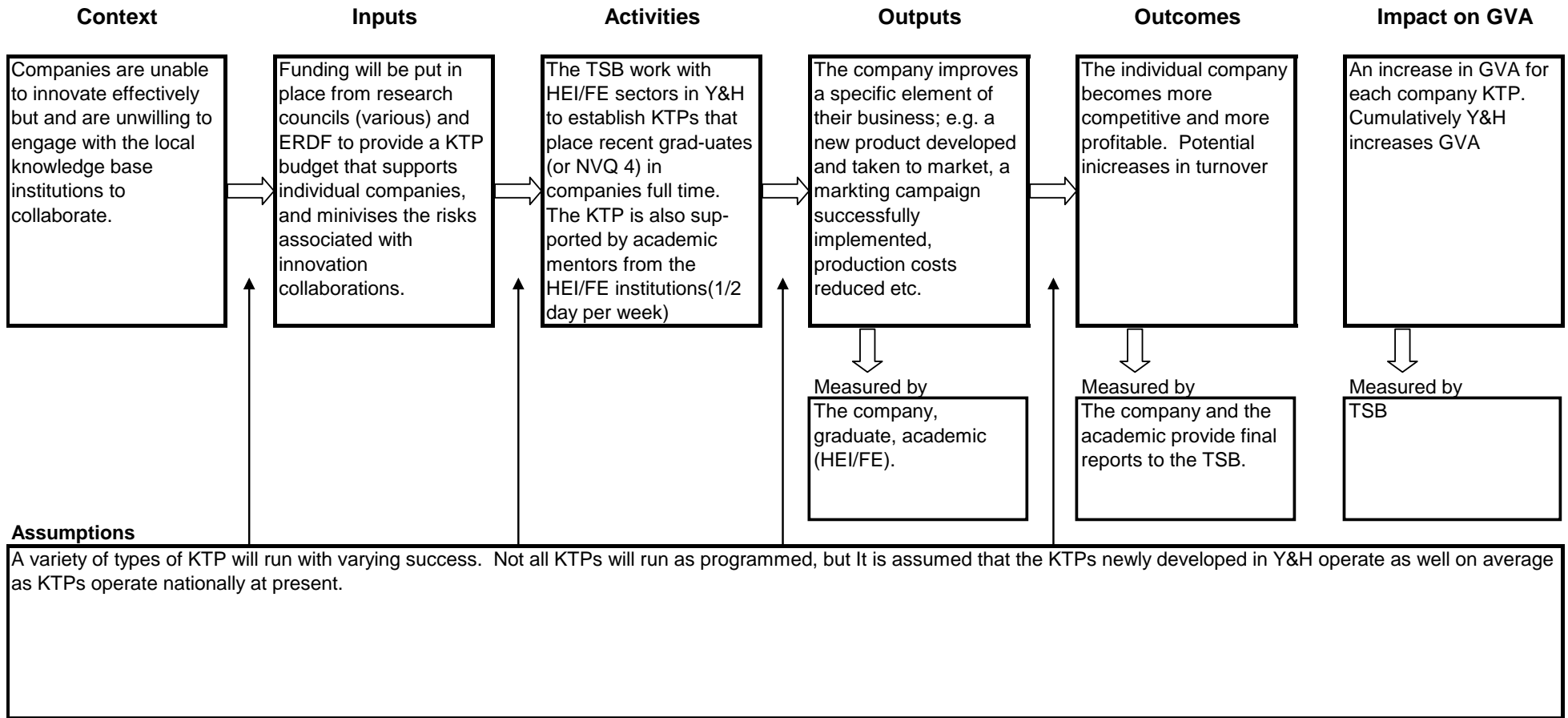
7. Finances

Source	Yorkshire Forward		ERDF		Other Public External Funding (Technology Strategy Board)		Other Europe (please Specify funding stream)		Private		TOTAL (£ millions)	
	Cap	Rev	Cap	Rev	Cap	Rev	Cap	Rev	Cap	Rev	Cap	Rev
Funding Status**												
2010/11				875,000		743,375				371,688		1,990,063
2011/12				1,166,667		991,167				495,583		2,653,417
2012/13				1,458,333		1,238,958				619,479		3,316,771
TOTAL				3,500,000		2,973,500				1,486,750		7,960,250

** insert relevant code for each funding source: 1=confirmed in writing 2=applied for 3=to be determined

8. Logic model

Please complete this logic model to illustrate why the project / programme is being proposed and the expected outcomes (preferred option).



9. Yorkshire Forward Internal Distribution

Please indicate which YF teams this Outline Business Plan should be circulated to for comment:

Rural Renaissance		Advanced Engineering and Materials Sector	x	Skills	
Urban Renaissance		Environmental Technologies Sector	x	Communities	
Property & Development		Digital and New Media Sector	x	Transport	
Sustainable Development		Food & Drink Sector	x	Culture and Major Events	
Tourism		Healthcare Technologies Sector	x	Inclusion and Diversity	
		Business Improvement	x	Humber	x
		Innovation	x	North Yorkshire	x
		Enterprise	x	South Yorkshire	x
		Business Support Simplification Programme	x	West Yorkshire	x
		Marketing			
		Inward Investment and Investor Development			
		International Trade			

10. YORKSHIRE FORWARD INTERNAL SIGN OFF

a) Before Submission:

In submitting this Outline Business Plan, I verify that the proposal fits with my Policy Product and that the Geographic HoS (s) has confirmed to me that they are aware and supportive of it.

Yorkshire Forward Head of Service

Signed:

Name:

Date:

I confirm this project contributes to the stated programme priority and there is sufficient funding within the ERDF programme to allocate against this.	
ERDF Priority Control Manager	
Signed:	
Name:	Date:
Yorkshire Forward Sponsoring Director	
Signed:	
Name:	Date:
<i>b) Following successful Submission of Outline Business Plan</i>	
Signed on behalf of the Exec Team	
Signed:	Date:
Executive Director of Finance	