

Innovate UK – Fast Start: Innovation Process Evaluation

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Ipsos UK



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Executive Summary

Ipsos UK were commissioned by Innovate UK in August 2022 to undertake a process evaluation of the Fast Start: Innovation competition. This report sets out the evaluation of the Fast Start: Innovation competition, covering an assessment of the processes involved in designing and delivering the competition.

Competition overview

Innovate UK launched the £30m Fast Start: Innovation competition specifically to support micro and small businesses to deliver rapid innovation projects to develop the technologies required for the UK's transition to net zero and self-driven healthcare. The competition aimed to catalyse innovation and stimulate business R&D, and specifically for the Fast Start: Innovation competition, targeted the net zero and self-driven health care sectors - which are thought to be key to economic growth and productivity.

Fast Start: Innovation made several process changes compared to the Business-led innovation in response to the global pandemic competition (henceforth referred to as 'COVID Fast Start 2020'). Notable changes include the addition of first stage due diligence checks, a reduction in the number of external assessors from three to one, re-introduction of second stage diligence checks and the upfront payment being lowered from 100% to 70% (with the remaining 30% paid in arrears).

Competition set up

- **Competition design:** No significant issues were raised in relation to the development and design of the Fast Start: Innovation competition. Consultations identified that the definition of 'new to Innovate UK' caused some confusion. A straightforward definition was ultimately employed by the Fast Start team, though this definition did not formally exclude firms or managers previously receiving Innovate UK grants establishing new companies to receive funding through the programme.
- **Communication and marketing:** The Fast Start: Innovation programme received substantially lower levels of applications (1,498) than anticipated (4,000). This was partly attributed to the scope of marketing and communications activities, which reportedly did not deviate beyond business-as-usual activities and ultimately reached audiences with a high level of engagement with Innovate UK (though other explanations – such as the pool of potential applicants - cannot be ruled out).
- **Resourcing:** The lower than anticipated volumes of applications may have led to some over-resourcing of the programme for pre-award processes (lower application volumes did not reduce the number of projects funded). This evaluation was not able to assess the associated productivity impacts. However, more significant issues were encountered in relation to the supply of monitoring service providers (MSPs) - as there were only 60 MSPs within the initial pool that the competition was advertised to. This forced Innovate UK to email all MSPs, asking them to express interest if they wanted to monitor any of the funded projects. The projects were subsequently allocated among the assessors that expressed interest for a rate of £500 per day. It is estimated that directly

contacting the MSPs resulted in £104,660 of additional monitoring costs that may not strictly have been necessary.¹

- **Applicant Guidance:** Guidance documents were reportedly well advertised, and the majority of applicants were able to understand the process. Some applicants highlighted the guidance documents contained many terms they were unfamiliar with, and more could have been done to make the guidance more accessible to the lay reader. Most applicants interviewed felt that the short word count helped to motivate concise answers.

Application process

- **Effectiveness of the application form:** Evidence from Innovate UK stakeholders suggests that the application provided enough information for a comprehensive assessment of technical, economic, and social implications and applications, and was comparatively straightforward for applicants to complete. The one area identified for possible improvement was the in relation to the workplan and cost question where applicants indicated that they were not always sure exactly what information they were expected to provide, and the best format to provide the information. It suggested that providing templates for the workplan and costs response and/or model answers could make it clearer for them to understand the required information.
- **First stage due diligence:** The first stage due diligence process was undertaken rapidly by a third-party contractor (within 28 hours) and helped identify 31 ineligible applications (2% of all applicants). An analysis of MI data suggests that the cost of these checks was greater than the avoided costs of assessing these projects. It was considered that Project Finance Team could have the capability of performing these checks, raising some questions regarding the added value of appointing a third-party contractor to perform these checks although it is unclear how far the process could have been completed at the same speed given overall internal capacity.
- **Single assessor approach:** The single assessor approach delivered the anticipated efficiency gains. No significant concerns regarding the robustness of funding outcomes were raised by stakeholders or applicants, and the approach was considered broadly proportionate given the value of individual grants awarded through the programme. While a consistency check was completed by the Fast Start team, a re-evaluation of a random sample of proposals would likely be needed to provide the additional confidence in the approach needed to extend the approach to a broader set of (higher value) instruments. The main cost of the approach was that potentially useful feedback was not provided to declined applicants. However, increasing the depth of feedback would likely require more time from both assessors and Innovation Leads (in quality assuring communications with the applicant community) and may result in an increased number of complaints that could partially offset the efficiency gains associated with the approach.

Project selection

- **Funding outcomes:** Although the competition received a lower volume of applications than anticipated, Fast Start: Innovation was able to achieve a balanced spread of projects across the target technology areas. The eligibility criteria appeared effective in routing a greater share of

¹ Estimated monitoring cost impact provided by Innovate UK.

public resources to businesses at their earliest stage of development with no history of private fund raising.

Additionally, although the average assessment score associated with funded projects was lower than for COVID Fast Start 2020 competitions, the Fast Start team was able to select a project portfolio that overwhelmingly met Innovate UK's typical quality standards. This raises some questions regarding the desirability of receiving large volumes of excess applications given the resource required to assess proposals that may have no prospect of receiving public funding.

- **Second stage due diligence:** An analysis of Companies House data suggests that less than 1% (7) of the funded companies have since entered insolvency proceedings or otherwise encountered episodes of acute financial distress. This suggests that the second stage due diligence process was effective in ensuring that grants reached firms that were solvent and minimised the risk that public funding was wasted by allocating funding to firms that were not financially viable.² However, these checks took longer than anticipated (30 days) contributing to delays in the signature of Grant Offer Letters, though there were some questions raised regarding the achievability of these target timelines giving the need for iterative engagement with applicants to obtain the critical information needed to perform these checks. Innovate UK could consider how far there may be scope to adapt the application form further to collect some of this critical information (e.g. financial statements) if there is a need to further accelerate due diligence processes.

Contracting and Monitoring

- **Timeliness of contracting process:** There were some challenges associated with the contracting processes but interview evidence from firms awarded funding indicate that associated delays with GoL and upfront payments created mainly administrative issues, but reportedly did not impact on the company's ability to deliver their project. For some applicants, project timelines were shifted to accommodate the delays.

The main challenge occurred in relation to the pre-payments process, where existing Innovate UK systems struggled to process the volume of payments administered through Fast Start. In practice, this meant that Innovate UK staff had to put manual quality-assurance processes in place creating a more labour-intensive process than 'business as usual'.

- **Appropriateness of specialist Monitoring Service Providers:** Applicant consultations identified that the MSPs mainly advised on administrative issues specific to Innovate UK or the grant funding process. As such, it is not considered proportionate to recruit specialist MSPs for competitions that target small/ micro businesses new to Innovate UK or grant funding more generally.
- **Effectiveness of monitoring:** Stakeholders suggested that the documents submitted by the applicants provided a good indication on the progress of the projects and were useful in identifying any potential or realised risks to project delivery.
- **Monitoring Service Provider booking system improvements:** Identified and acknowledged by a number of stakeholders, an overhaul of the booking system used to recruit MSPs may have prevented (or limited) the use of EOIs to fill vacant projects. Changes such as options to filter by

² As of 03/10/2023, five companies were in liquidation, one company was in administration and one company had been dissolved.

innovation area and project theme, or showing unassigned projects on the first page could be relatively simple to implement and could help prospective MSPs better navigate the projects that need an MSP assigned.

Recommendations

The Evaluation of the Fast Start: Innovation competition generated several recommendations that Innovate UK may wish to consider for future competitions. The key recommendations are presented below:

- **Increased use of data to aid deliverability:** Adopting a data driven approach when considering the potential pool of applicants and availability of internal resource may help to set appropriate levels of resource.
- **System improvements:** Including the addition of filter options and showing unassigned projects at the top of the list when allocation MSPs and for internal systems installing checks may help to flag instances where settings may have inadvertently been changed, for example the accidental release of feedback to applicants.
- **Applicant feedback:** Providing feedback to applicants, particularly those new to grant funding, is an important aspect in helping the unsuccessful applicants secure grant funding in the future. It was also noted that constructive feedback could motivate them to persist with their ideas despite not securing funding.
- **Templates for workplan and costs question:** Publishing templates or guidance for the workplan and costs could make it clearer for applicants to understand the required information.
- **Use the application form to collect as much applicant information as possible:** Limiting the amount of engagement between Project Finance and applicants may decrease the time to undertake the second stage due diligence checks. One possible way of achieving this is to request essential data for the second stage due diligence checks during the application stage.
- **Increase the time to undertake the second stage due diligence checks:** For future Fast Start competitions, more time could be allowed for the second stage due diligence checks to be completed, which would help to reduce the delays in the competition.
- **Use of less specialised Monitoring Service Providers:** For the Fast Start: Innovation competition, or other competitions that target micro/ small businesses, Innovate UK could consider the primary role of the MSPs and consider whether specialist MSPs are required.

1 Introduction

Ipsos was commissioned by Innovate UK in October 2022 to undertake a process evaluation of the 2022 Fast Start: Innovation programme. This report provides the findings from the evaluation.

1.1 Evaluation aims and objectives

The purpose of this study is to assess from an Innovate UK lens if changes to internal process made for the Fast Start: Innovation competition benefit Innovate UK in terms of monetised and non-monetised benefits; and to understand the consumer (business) perspective regarding the process efficiencies and customer journey.

The aims and objectives of the study include:

- Determine the impact (both intended and unintended) of changes to internal processes
- Provide comparison to the business as usual (BAU) competition processes as well as the Business-led innovation in response to Global Disruption Competition (henceforth referred to as 'COVID Fast Start 2020')
- Assess efficiencies and effectiveness of processes adopted as well as value for money aspects
- Identify changes to processes introduced during this round of Fast Start that can be justifiably taken forward and adopted/considered for BAU usage
- Identify and record lessons learnt from the design/delivery process to consider in future
- Understand the customer experience at every touch point in the process from engagement to award (particularly important given these are "new to Innovate UK" customers)

1.2 Methodology

The process evaluation was largely supported by qualitative research to gather perspectives on the processes involved with the delivery of Fast Start: Innovation, complemented by a review of available documentation and monitoring information. The scope of the review included the processes through which the competition was setup and promoted, the application process, project selection (application assessment) contracting and the monitoring process.

The design of the evaluation was based on the following activities:

- **Preliminary familiarisation consultations:** The study team undertook a set of preliminary consultations with six key stakeholders who were involved in the design and delivery of the Fast Start: Innovation competition, as well as several other competitions across Innovate UK.
- **Document review and process map development:** An evaluation framework was developed on the basis of a review of the available strategic and operational documentation, supplemented by knowledge from the familiarisation interviews, setting out the rationale for the activities and processes implemented to deliver these competitions.
- **Desk research analysis of the monitoring information (MI):** A review of applications and portfolio information for the Fast Start: Innovation competition.

- **Qualitative interviews with Innovate UK staff:** Seventeen consultations with key Innovate UK stakeholders were held to obtain views on the approach adopted to the design of the programme and the effectiveness of the delivery.
- **Qualitative interviews with successful and unsuccessful applicants:** In total, 21 interviews, split between 14 successful (of which 7 were from the self-driven healthcare theme and 7 from the net zero theme) and 7 unsuccessful were conducted. The samples were chosen by:
 - **For successful applicants** – The applicants were split out by challenge theme, and a total of 20 applicants were randomly selected for each theme. Engagement emails were sent out sequentially until 7 interviews for each challenge theme were organised.
 - **For unsuccessful applicants** – The 30 highest scoring unsuccessful applicants were identified. Engagement emails were sent out sequentially until 7 interviews were organised.

1.3 Process evaluation research questions

The research questions addressed by the process evaluation can be broken into five key areas and are presented below. More detail can be found in Appendix 1, including relevant data sources and relevant key metrics for each research question.

Table 1.1: Evaluation research questions

| Process | Research Question |
|--------------------|--|
| Competition set up | Is the competition scope clear and can the guidance documents be easily understood by potential applicants? |
| | Is the application process straightforward? Do the questions in the application form provide enough opportunity to explain the project? |
| | Was the Fast Start: Innovation programme resourcing effective to deliver the competition and manage the portfolio? |
| | How effective were the marketing and communications campaign and ministerial announcement in raising awareness of Fast Start: Innovation competition among new audiences? |
| Assessment | To what extent did the application form support a comprehensive assessment of technical, economic and social implications of applications, including expected levels of additionality? |
| | Was the first stage due diligence effective? |
| | Is the single assessor approach considered to be effective and sufficiently consistent? |
| | Is the assignment of independent assessors to projects effective and efficient? Was enough time provided to complete the assessment process effectively? |
| Project selection | Was the project selection process effective? |
| | Did the funding allocation cover the full scope of the Fast Start: Innovation competition? |
| | Is funding allocated fairly and transparently? |

| | |
|--------------------|---|
| | <p>Was second stage due diligence completed efficiently and in an appropriate amount of time? Did the extra question 7 (companies' financial information) in the application form improve the speed of financial viability checks? Should question 7 be part of the application form?</p> <p>Did second stage due diligence effectively identify projects with unacceptable levels of financial and/or project delivery risk?</p> <p>Did second stage due diligence identify applicants who has applied to IUK previously or any new/ daughter companies set up to be eligible for funding?</p> |
| Contracting | <p>Are the funding award processes used in Fast Start: Innovation effective and completed in a timely manner?</p> <p>Was the offered funding in the grant offer letter as agreed at the Funding Panel?</p> <p>Did the contracting process enable all applicants to begin project delivery at the times specified in their applications?</p> <p>Did dedicated Fast Start: Innovation resource have a positive impact on the management of the programme?</p> |
| Monitoring | <p>Was the 70% upfront payment effective and made in a timely manner? Is 30% retention an effective incentive to encourage project completion?</p> <p>Are MSPs appointed to silver level monitoring of projects sufficiently able to provide support, assess project performance and risks in the three days allocated to each project?</p> <p>Does the monitoring process accurately highlight project progress (or failure), covering technical progress and realisation or milestones?</p> <p>Does the monitoring completed permit the identification and introduction of risks and corrective actions in a timely manner?</p> <p>What was the impact of 70% upfront payment on recovery payments?</p> |

1.4 Limitations

There are a number of important limitations and considerations with the analysis presented within this study, including but not limited to:

- The evaluation involved a small programme of qualitative engagement with applicants which sought to understand their experiences in detail. However, as only 21 out of 1498 applicants were interviewed as part of this evaluation, the results of these interviews cannot be considered representative of the entire pool of applicants or used to develop broader generalisations.
- At the point of both data collection and the consultations, the Fast Start: Innovation competition was ongoing. As such this has provided a limited view of the later part of the process inhibiting the ability to draw conclusions of these elements, particularly around the close out stage of the monitoring process.

- It should also be noted that the processes used to deliver the competition have already changed for following competitions based on an internal Innovate UK review of the Fast Start: Innovation competition.

1.5 Structure of the report

The remainder of this report is structured as follows:

- **Section 2** provides an overview the Fast Start: Innovation competition, its policy and operations context, and the rationale, aims and objectives of the programme
- **Sections 3-6** presents the process review of the programme, including an overview of the processes used, the applicants and funded projects, the contracting process and the monitoring process
- **Section 7** provides a summary of the key conclusions and recommendations of the Fast Start: Innovation programme.

2 Programme overview

This section provides an overview of the Fast Start: Innovation competition and the processes involved in its delivery. This section draws on the desk review of programme documentation and familiarisation interviews with key stakeholders involved in its design and delivery.

2.1 Context, rationale, and objectives

Innovate UK have run three Fast Start competitions to date, see Table 2.1 below. This process evaluation will only be exploring the processes of the Fast Start: Innovation programme.

Table 2.1: Fast Start Competitions to date

| Fast Start Competition | Competition Scope | In-Scope of this Process Evaluation |
|--|---|-------------------------------------|
| Business-led innovation in response to global disruption (April 2020) | Support UK businesses to focus on emerging or increasing needs of society and industries during and following the COVID-19 pandemic | No |
| Fast Start: Innovation (July 2022) | Support package for micro and small businesses who are developing investable innovations in: achieving net zero of self-driven healthcare | Yes |
| Transformative Technologies (February 2023) | Support package for micro and small businesses who are developing investable innovations in: semiconductors, future telecoms, AI assurance, engineering biology, quantum and sustainable UK materials and manufacturing | No |

Where the COVID Fast Start 2020 aimed to provide access to finance and address liquidity problems due to the sudden global economic shock, the Fast Start: Innovation programme aimed to stimulate R&D among small and micro businesses, specifically in the net zero and self-driven health care sectors.

Evidence from Wave Four of the Innovate UK Business Survey identified that firms with higher cash flow uncertainty tended to invest more cautiously in R&D. Over 40% of companies surveyed in Wave Four identified that they stopped or reduced their R&D spending, and 24% stated that cashflow was critical. During the first half of 2022, firms still faced significant uncertainty, both in terms of post-pandemic recovery and the macro-economic landscape being severely impacted by the global energy crisis.

Innovate UK launched the £30m Fast Start: Innovation competition specifically to support micro and small businesses to deliver rapid innovation projects to develop the technologies required for the UK's transition to net zero and self-driven healthcare. The main objectives of programme, as set out in the Business Case, are to:

- Encourage start-ups and entrepreneurs to rapidly develop new products and services, preparing for the future economy.
- Create new revenue streams for small/ micro businesses new to Innovate UK, proving the value of innovation investment and supporting further R&D spend.

- Fund projects to develop novel ideas and support the development of innovation talent and skills through EDGE.³
- Bring a new audience of small/ micro businesses to Innovate UK.

Unlike COVID Fast Start 2020 which was a reactive response to liquidity problems, Fast Start is now a business-as-usual competition, aimed to catalyse innovation and stimulate business R&D. The Fast Start: Innovation competition targeted the net zero and self-driven health care sectors - which are thought to be key to economic growth and productivity. The competition also aimed to encourage entrepreneurial activity across the whole of the UK, ensuring equity and diversity, for example, through the use of an equality, diversity and inclusion survey and the requirement to include how equality, diversity and inclusion will be incorporated into the project of business in the 'Business resources and capabilities' question.

2.2 Overview of the Fast Start: Innovation competition

Innovate UK offered small and micro businesses grants up to £50,000 alongside tailored business support delivered by Innovate UK Edge. Prospective projects needed to lead to new products, processes or services that were significantly ahead of others that were available, or propose an innovative use of an existing product, process, or service. Applicants needed to show a clear route to commercialisation through business growth.

The scope of the programme covered two challenge themes - net zero and self-driven healthcare – and could be achieved through several innovation areas:

Table 2.2: Challenge themes and innovation areas

| Achieving net zero and reducing environmental impact through: | Self-driven healthcare, de-centralised healthcare and mental wellbeing through: |
|--|--|
| User centric low carbon heating and cooling solutions. | Prevention and self-management of lifestyle diseases using personalised, intuitive, consumer focused and accessible innovations. |
| Energy generation, storage, management, and active user engagement approaches to energy efficiency. | Maximising the utility, safety and security of personal health records, including self-generating data |
| Zero emission powertrain system development, and digital solutions to optimise transport. | Assessing new business models and routes to market for products and services related to self-care and management. |
| Environmentally focused manufacturing, supply chains and circular economy solutions. | Developing innovations that support self-management of mental wellbeing. |

Applicants were required to put forward projects that offered affordable, adoptable, and investable innovations in the challenge theme areas. Applicants were also required to ensure that projects aligned with the seven technology areas outlined in the Department for Science, Innovation and Technology

³ Innovate UK's service that offers advice for businesses looking to commercialise new ideas and succeed in international markets

(formerly the Department for Business, Energy and Industrial Strategy) UK Innovation Strategy.⁴ The seven technology areas included:

- Advanced materials and manufacturing
- AI, digital and advanced computing
- Bioinformatics and genomics
- Engineering biology
- Electronics, photonics and quantum
- Energy and environment technologies
- Robotics and smart machines

2.3 Timelines

Figure 2.1 below shows the timeline for the Fast Start: Innovation competition.

Figure 2.1: Timeline for Fast Start: Innovation competition



Source: Gov.uk

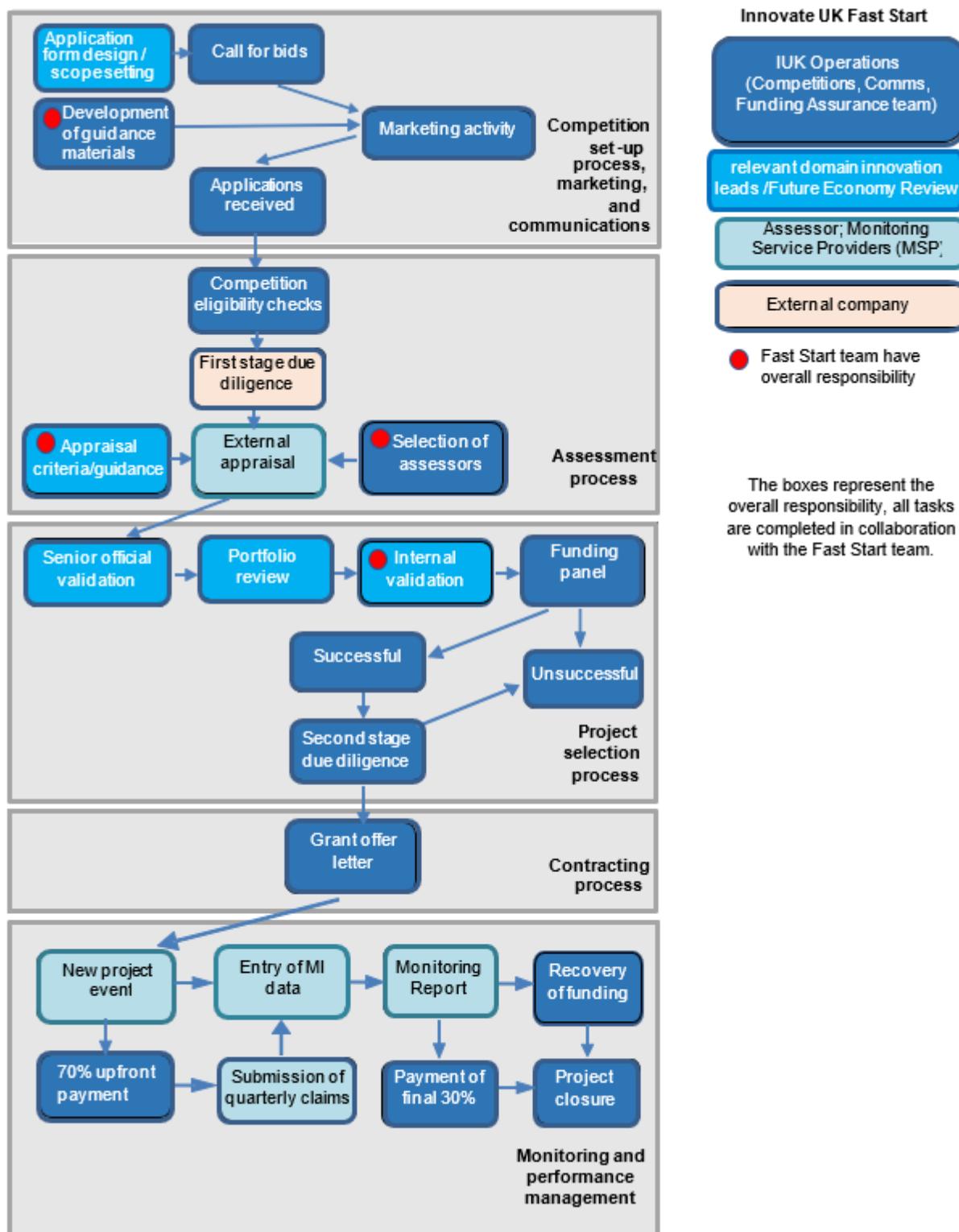
2.4 Process map

Figure 2.1 overleaf provides an overview of the processes used to deliver Fast Start: Innovation.

Several of the Fast Start: Innovation processes were changed compared to its predecessor, COVID Fast Start 2020, as Innovate UK started to implement Fast Start as a business-as-usual competition. This evaluation explores how far the changes to the Fast Start: Innovation competition delivered their intended benefits in relation to cost reduction and speed of the process. The key stages of the Fast Start: Innovation competition, and key differences to the COVID Fast Start 2020 competition are summarised in the sections below.

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1009577/uk-innovation-strategy.pdf

Figure 2.2: Fast Start: Innovation process summary



2.4.2 Competition set-up

The scope for Fast Start: Innovation was developed by the relevant domain innovation leads, with support from central teams in Innovate UK. The Fast Start team was then responsible for developing both the eligibility criteria (explaining who can apply and under what circumstances) and the guidance materials.

The Fast Start: Innovation set-up processes were changed to achieve the following objectives:

- Develop a shortened application form to collect key information about the applicant and their project - containing 11 questions, four of which were scored - which is easy to navigate and understand by potential applicants. The application form included a new question that asked how the funding plans for the company would support the success of the project. The new question was included with the aim to improve the speed of financial viability checks.
- Change the Fast Start competition scope to focus on Net Zero and Self Driven Health innovations and encouraging projects to consider 7 tech areas of innovations that will be affordable, adoptable, and investable (priority outcomes for the newly formed Department of Science, Innovation and Technology and Department for Energy Security and Net Zero). These are considered to be key areas for future economic growth and productivity.
- Only companies previously unfunded by Innovate UK could apply for funding to encourage start-ups and entrepreneurs through short projects enabled by an injection of advance cash flow.

2.4.3 Assessment process

The Fast Start: Innovation assessment processes were changed to achieve the following objectives:

- Additional first stage due diligence, completed by an external company, were introduced to remove applications which do not pass due diligence before external assessment. The primary motivation for these checks were to save costs by not having to pay for the assessment of projects which were not eligible for funding.
- Reduction of the number of external assessors from three to one, to reduce costs and make better use of the expertise of the assessors. Assessors are matched to their specific area of expertise.

Once the competition deadline passed, applications were initially internally reviewed to ensure they were complete and met all eligibility criteria specified in the competition brief, including whether applicants were new to Innovate UK and had not previously applied under a different company name. New to the Fast Start: Innovation process, this was followed by first stage due diligence completed by a third-party. These checks were considered essential to take the burden off the pre-award process, and also act as an additional form of assurance.

The third-party checked the Directors of the companies and any other persons with significant control for any financial or legal concerns. These checks were conducted early in the process to avoid assessments of ineligible applications. External assessors were then appointed to assess the technical and commercial merits of projects. The assessment guidance and criteria were adapted for the Fast Start: Innovation round to reflect changes in the application form.

A single external assessor was used to review the submitted applications, this deviated from the previous COVID Fast Start 2020 competition which used three assessors (combination of internal and external) and differs from other competitions which use five assessors. The rationale for using one assessor was to save costs and to simplify the assessor allocation process. The use of a single assessor also limited instances of expert dilution. When using three assessors, typically there would only be one subject matter expert whose views may have been crowded out by the other two assessors when the scores are averaged out, i.e. the scores from each assessor are given equal weight. By only using a single expert assessor, it ensures that only the experts' opinion is considered, who is likely to have a more accurate and insightful understanding of the innovation area. Insights from the Economics and

Insights team indicated that altering the number of assessors yielded minimal changes in assessment outcomes, meaning the risk level was tolerable.

To mitigate potential risks and due to the experimental nature of this approach, a set of 'experienced' assessors were employed to evaluate the applications. This determination was made by the Fast Start team using internal data concerning assessors and their assessment history.

2.4.4 Project selection

After external assessment, the applications went through senior official validation (as per Cabinet Office guidelines) and portfolio review. All applications above a quality threshold are categorised into subcategories, e.g. by technology area or innovation area. The Fast Start team and Innovation Leads then confirm the highest scoring applicants in each subcategory which are funded until no budget remains. The Funders Panel then gives sign off to the final portfolio of projects. Applicants are then notified on the outcome of their application. After this, the successful applications go through second stage due diligence. The Project Finance Team carried out company viability checks and confirmed that the proposed project costs were eligible for grant funding.

For Fast Start: Innovation post-project selection processes reintroduced second stage due diligence checks as BAU for Fast Start competitions. These checks aimed to look at company viability and the eligibility of costs included in the application.

2.4.5 Contracting process

The contracting process involved the development of the grant offer letter. The amount of funding is approved by the Funders Panel, however is subject to change following second stage due diligence checks. It is not uncommon for the grant offer letter to state lower overall cost. There were no changes in the contracting processes compared to COVID Fast Start 2020.

2.4.6 Monitoring and performance management

For the Fast Start: Innovation competition, external Monitoring Service Providers (MSPs) were contracted. Funded projects were uploaded onto a portal, where MSPs can bid for the projects that align with their previous experience/ interests.

Monitoring arrangements are put in place to keep track of individual projects and identify which projects are succeeding and which are failing. Funded projects have three key monitoring checkpoints with MSPs; at project inception, halfway through the project and at project close. MSPs support the projects both through the completion of the monitoring reports, but also act as a first point of contact in addressing and overcoming challenges faced throughout the project.

MSPs have the objective of ensuring projects are on track to deliver their intended outputs and results, identify and implement corrective actions where this is not the case, as well as providing on-going risk assessment and management support. The monitoring of live projects and portfolio management is managed by Innovate UK but performed by externally contracted MSPs. A basic level monitoring, which included review of papers but no meetings, was used for COVID Fast Start 2020.

The Fast Start: Innovation project monitoring and performance management processes were changed to achieve the following objectives:

- The monitoring level was increased to Silver-level monitoring for Fast Start: Innovation to include meetings (total of three days of support per project) aiming to increase support and identify issues at an earlier stage.
- The upfront payment was reduced from 100% (COVID Fast Start 2020) to 70% (Fast Start: Innovation) with the aim to reduce the time commitment required to recover funding not used or claimed by applicants.

3 Competition setup

This section covers the setup of the Fast Start: Innovation competition, exploring insights generated through analysis of monitoring data and consultations with applicants and Innovate UK Stakeholders. This section is split into two main sub-sections: the scope and eligibility criteria and the marketing and communication activities.

Key Findings

Competition design: No significant issues were raised in relation to the development and design of the Fast Start: Innovation competition. However, one aspect that was raised was in relation to the clarity of the eligibility criteria – that applicants were new to Innovate UK. A straightforward definition was ultimately employed by the Fast Start team, though this definition did not formally exclude firms or managers previously receiving Innovate UK grants establishing new companies to receive funding through the programme.

Communication and marketing: The Fast Start: Innovation programme received lower levels of applications (1,498) than anticipated (4,000). This was partly attributed to the scope of marketing and communications activities, which reportedly did not deviate beyond business-as-usual activities and ultimately reached audiences with a high level of engagement with Innovate UK (though other explanations - such as the timing of the competition and the short window for applications - cannot be ruled out).

Resourcing: The lower than anticipated volume of applications may have led to some over-resourcing of the programme for pre-award processes (lower application volumes did not reduce the number of projects funded). This evaluation was not able to assess the associated productivity impacts. However, more significant issues were encountered in relation to the supply of MSPs - as there were only 60 MSPs within the initial pool that the competition was advertised to. This forced Innovate UK to email all MSPs, asking them to express interest if they wanted to monitor any of the funded projects. The projects were subsequently allocated among the assessors that expressed interest for a rate of £500 per day. It is estimated that directly contacting the MSPs resulted in £104,660 of additional monitoring costs that may not strictly have been necessary.

Applicant Guidance: Guidance documents were reportedly well advertised, and the majority of applicants were able to understand the process. Some applicants highlighted the guidance documents contained many terms they were unfamiliar with, and more could have been done to make the guidance more accessible to the lay reader. Most applicants interviewed felt that the short word count helped to motivate concise answers.

3.1 Definition of competition scope and eligibility criteria

3.1.1 Definition of competition scope and eligibility criteria

Innovate UK relevant domain innovation leads with support from central teams (operational and Fast Start) in Innovate UK developed the 'scope' for Fast Start: Innovation following internal Innovate UK research to understand future priorities ("The Future Economy Review"):

- **Competition themes:** The Net Zero and Self Driven Health technology areas were selected as priority themes as they were thought to offer a deeper pool of potential applicants that required access to funding to quickly translate innovative ideas into marketable ideas. There was broad consensus amongst Innovate UK stakeholders interviewed that these technology themes aligned

closely with Innovate UK's objectives of stimulating economic growth and preparing for the future economy and no challenges were reported in relation to this aspect of the process.

- **Eligibility criteria:** Eligibility criteria included a requirement for applicants to be new to Innovate UK. However, this was not precisely defined at the competition stage and reportedly created some confusion amongst applicants given the variety of support provided to businesses by Innovate UK (e.g. some businesses may have received advice through the Innovate UK EDGE programme, or applied unsuccessfully to historic competitions, and not received grant funding). The Customer Support team identified that this generated a large volume of eligibility enquiries: *"500 email enquiries whilst the competition was open [...] common queries were around the eligibility requirements of the competition"*.

The Fast Start team subsequently clarified that any company receiving funding of any value as captured in the transparency data published by Innovate UK were considered ineligible. This meant any company receiving very small-scale support (e.g. via the Innovation Vouchers programme) were excluded, but businesses receiving non-financial support were permitted to apply. This was considered appropriate as constructing rules based on level of funding or type of competition would have involved complexities and would have been difficult to implement in the required timescales.

Some modest efficiency gains may have been realised by addressing these definitional issues in advance. Owing to the relatively inclusive nature of the definition adopted, only 43 applicants (3% of all applicants) were excluded because they were previously funded. However, it is unknown how many potentially eligible applicants may have chosen not to submit applications owing to confusion around this aspect of the eligibility criteria.

This definition also does not formally exclude firms or managers previously receiving Innovate UK grants establishing new companies solely to receive funding through the programme. Interviews with applicants indicated that this occurred on at least one occasion. Innovate UK may wish to consider further clarification around this in future competitions to prevent resources reaching businesses that may have in practice had a long history of engagement with Innovate UK. Although there are notable challenges that this could create, including reviewing ownership structures to identify these cases and then reaching some form of subjective judgment about whether they were established solely to receive public funding.

3.1.2 Competition scale and resourcing

Resourcing for the programme - both in terms of the grant funding available and associated resources for application assessment - were set based on an expected 4,000 applications. This figure was derived from experience from the COVID Fast Start 2020 programme which attracted approximately 8,000 applicants - with smaller volumes anticipated given the narrower sector scope.

An analysis of PitchBook data suggests that there were only 6,400 companies listed on Pitchbook that have been founded since 2020 in the self-driven healthcare and net zero sectors – using this as the basis of the number of expected applicants (opposed to the number of applicants for COVID Fast Start 2020) could yield more reliable estimates of expected application numbers.

As discussed below, application volumes were substantially lower than expected, resulting in some excess levels of resource being committed to the programme:

- **Internal resources:** During consultations Innovate UK stakeholders across all teams referenced how the high demand for the COVID Fast Start 2020 competition placed a significant strain on the team's ability to run the competition within the specified timeframes. Based on this experience, internal teams equipped themselves with greater levels of resource to be able to manage the competition - including three dedicated full time equivalent employees 'the Fast Start team', opposed to the six existing Innovate UK personnel from existing programmes that managed the COVID Fast Start 2020.

The Fast Start: Innovation Business Case identifies that over financial years 2022/23 and 2023/24, the operational expenditure dedicated to the Fast Start: Innovation competition was £1.5m. The resource levels during the early stages of the competition (e.g. application processing, customer service and first stage due diligence checks) would likely have been less flexible as the Fast Start team would not necessarily have time to react to the lower application numbers than initially anticipated. Processes later in the competition could have had resource levels adjusted and diverted elsewhere and so may have been able to better limit the use of unproductive resources (e.g. the assessors and MSPs, as explained below).

The extent to which this represented a productivity cost depends on whether those that were not required contributed towards other work/ competitions within Innovate UK, or whether they were an idle resource. Whilst consultations identified that Innovate UK staff were not as busy as expected, they were not able to fully ascertain what the staff did in the absence of the Fast Start: Innovation specific work.

- **Assessors:** There was also a surplus of assessors recruited to undertake independent assessments, meaning some of the assessors were not awarded as much work as expected, whilst others were not awarded any work. This did not incur any monetary cost to Innovate UK, and it is not known whether the assessors were able to alternative sources of work – so the impact on their productivity cannot be evaluated.
- **Monitoring service providers:** There was an undersupply of MSPs. The initial advertisement of monitoring roles was targeted at a small pool of MSPs (a pool of approximately 60 MSPs). There were further MSPs available (discussed below), however only targeting a small initial pool created an initial undersupply of monitoring officers. The issue was exacerbated by exogenous changes in IR35 legislation.⁵

Due to the undersupply of MSPs, Innovate UK were forced to email all MSPs, asking them to express interest if they wanted to monitor any of the funded projects, to ensure that each funded project had a monitoring officer. The projects were subsequently allocated among the assessors that expressed interest. There are potential disadvantages of this approach to allocate MSPs in that the competition element is lost, which may have adverse value for money implications due to increasing costs. Consultations with Innovate UK Stakeholders identified that the maximum price of a MSP is £500 per day, which is what is advertised when gathering expressions of interest. However, by allowing MSPs to bid for work, the actual price of a monitoring officer is usually lower than this. The monitoring

⁵ MSPs are external contractors, undertaking full-time hours for IUK to fulfil monitoring needs. Changes to IR35 legislation resulted in MSPs dropping projects as they were deemed to be working 'within IR35'.

costs of the Fast Start: Innovation competition increased by an estimated £104,660 by gathering expressions of interest from the wider pool of MSPs.⁶

3.2 Marketing and communication

3.2.1 Competition marketing

As noted, the Fast Start: Innovation programme attracted a substantially lower number of applications (1,498) than expected (4,000). Consultations with internal stakeholders partly attributed this to the reach of marketing and communications (although other factors are likely to have contributed to this, such as the size of the potentially eligible population).

The competition was advertised through the 'normal channels', including Innovate UK KTN website, the Innovate UK newsletter and UKRI funding opportunities website. As a result, awareness raising activities were in practice targeted at businesses already familiar with Innovate UK, which was acknowledged through the consultations with Innovate UK stakeholders. Most applicants interviewed were aware of Innovate UK before applying. The consensus among Innovate UK stakeholders was that more could have been done to better advertise the competition, particularly with respect to reaching small and micro businesses that were new to Innovate UK. Suggestions made included advertising through trade organisations that are not closely tied to Innovate UK and better timing for the competition so that its visibility was not diluted by other Innovate UK competitions (such as the Women in Innovation and Smart competitions that were simultaneously running).

Consultations with Innovate UK stakeholders suggested that the collaboration and communication could have been improved between the Fast Start team and the Innovate UK Comms team. The Fast Start team expressed uncertainties around what level of advertising and marketing is business-as-usual (BAU), and what would extend beyond BAU activity and incur a cost to the programme. It could be suggested that understanding the service provided as standard, and where extra costs will be incurred, would help to deviate from BAU marketing and explore alternative channels to target businesses new to Innovate UK.

3.2.2 Communication during the application process

Online briefing sessions

Applicants described how the briefing sessions held by the Fast Start team were a good opportunity for prospective applicants to clarify any doubts or concerns around scope, eligibility, and processes. The briefing sessions were well advertised, with most interviewed applicants either attending the live sessions, or watching the recordings – indicating strong engagement. Applicants noted that the Q&A section provided an efficient way to answer questions, and the recordings in particular were valued – some applicants reported watching the recording on multiple occasions. However, there were also a small number of applicants that felt the online briefings did not offer any information beyond the published guidance.

Application Guidance

Consultations with applicants suggested that whilst the materials and guidance documents were well advertised to prospective applicants, many applicants struggled to properly digest and understand the

⁶ Estimated cost impact provided by Innovate UK.

information contained within the documentation. Some applicants identified that the scoring criteria could have been presented more clearly to facilitate understanding of the assessment basis, a sentiment that was shared amongst both successful and unsuccessful applicants.

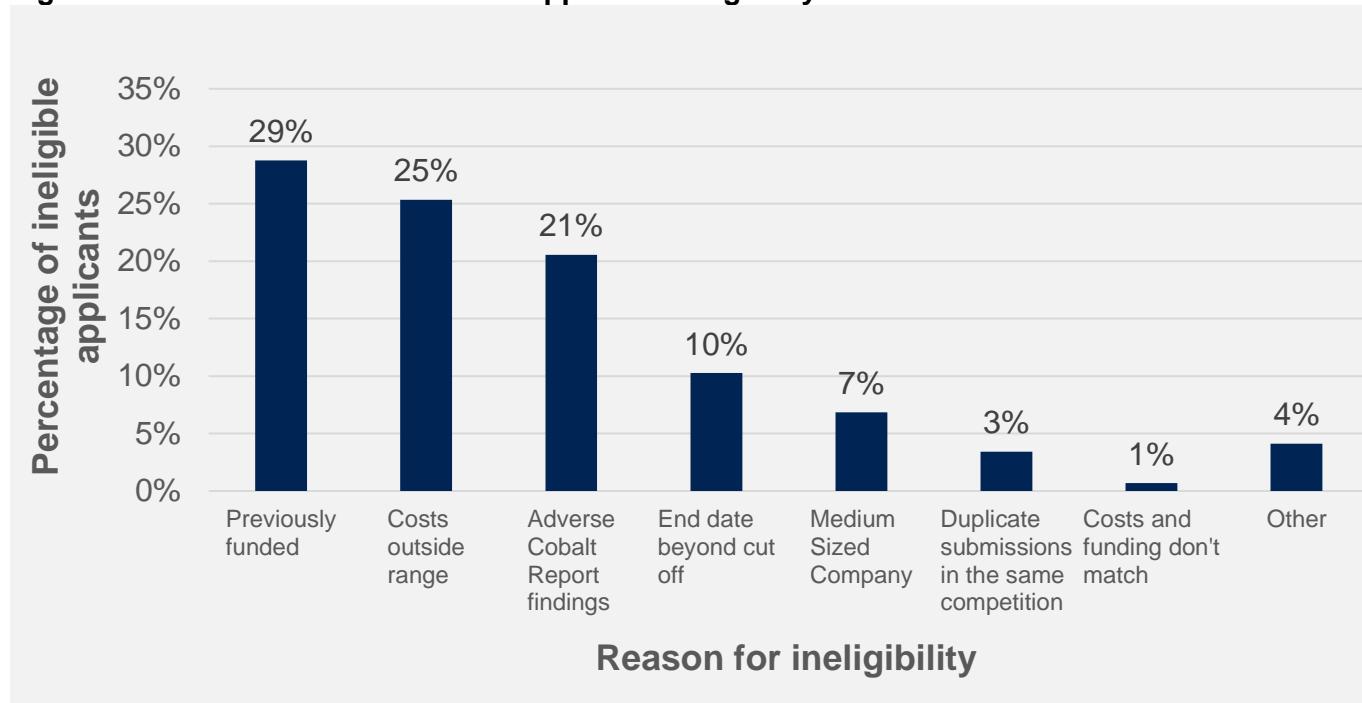
Analysis of monitoring information and the consultations identified a key area where communications could have been improved:

- **Eligibility:** As discussed above (see Section 3.1.1), the clarity of the eligibility criteria could have been improved. In total there were 146 companies (10% of all applicants) that were considered ineligible for the competition. During consultations, Innovate UK stakeholders did not express concerns about the number of ineligible applicants.

Figure 3.1 below identifies that the two most common sources of ineligibility was that the applicant was previously funded (29% of ineligible applicants) and project costs were outside of the required range (25% of ineligible applicants). This was corroborated in the consultations where Innovate UK stakeholders highlighted that they received numerous queries specifically relating to receiving previous funding and project costs.

Some applicants suggested that more could be done to make the eligibility criteria and briefing documents more accessible to the lay reader, note that the group of applicants was new to Innovate UK processes (or grant funding more generally). The communications materials were also considered to include terminology that may not be familiar for new applicants or those from outside the innovation funding system.

Figure 3.1: Distribution of reason for applicant ineligibility



Base: ineligible applicants, n=146.

4 Application process

This section utilises monitoring data and consultations with Innovate UK stakeholders and applicants to understand the application process, including the application window, application form and the single assessor approach. The first stage due diligence checks that are performed after the application is submitted is also considered within this section.

Key findings

Effectiveness of the application form: Evidence from Innovate UK stakeholders suggests that the application provided enough information for a comprehensive assessment of technical, economic, and social implications and applications, and was comparatively straightforward for applicants to complete. The one area identified for possible improvement was the in relation to the workplan and cost question where applicants indicated that they were not always sure exactly what information they were expected to provide, and the best format to provide the information. It suggested that providing templates for the workplan and costs response and/or model answers could make it clearer for them to understand the required information.

First stage due diligence: The first stage due diligence process was undertaken rapidly by a third-party contractor (within 28 hours) and helped identify 31 ineligible applications (2% of all applicants). An analysis of MI data suggests that the cost of these checks was greater than the avoided costs of assessing these projects. It was considered that Project Finance Team could have the capability of performing these checks, raising some questions regarding the added value of appointing a third-party contractor to perform these checks although it is unclear how far the process could have been completed at the same speed given overall internal capacity.

Single assessor approach: The single assessor approach delivered the anticipated efficiency gains. No significant concerns regarding the move to a single assessor approach were raised by stakeholders or applicants, and the approach was considered broadly proportionate given the value of individual grants awarded through the programme. The main cost of the approach was that potentially useful feedback was not provided to declined applicants. However, increasing the depth of feedback would likely require more time from both assessors and Innovation Leads (in quality assuring communications with the applicant community) and may result in an increased number of complaints that could offset the efficiency gains associated with the approach.

4.1 Application window

The Fast Start: Innovation competition was first published on the 15th of June 2022, where applicants were first able to see the application form and competition documentation. The competition opened on the 11th of July 2022 and closed on the 26th of July at 11:00am – providing prospective applicants with nearly six weeks to write and submit an application. Given the advance notice of the competition, it is unlikely that this limited the ability of prospective applications to apply. During consultations, no applicants raised concerns around the application timeline.

During the consultations many applicants highlighted that they are full or part time employees while establishing their business and described the challenges in writing and submitting the application alongside work commitments. This increased the time pressure faced by prospective applicants and may have acted as further deterrent to some. However, it is not possible to know the extent to which (if any) potential applicants were deterred due to the short timeframes (as businesses that did not submit proposals were not engaged in the research).

4.2 Application form

4.2.1 Ease of completion

The evidence collected through the applicant consultations indicates that the applicants thought that the time taken to complete the form (in its entirety) was proportionate to the amount of funding. Most applicants interviewed reported that the time required to complete the application form ranged from two to five days. It should be noted that the small sample means this may not reflect the broader pool of applicants. Some applicants reported spending the remaining time that the application window was open quality assuring and refining their application (with a small number of unsuccessful applicants providing dissenting views).

However, the workplan and costs question (Question 11) was identified by applicants as particularly challenging, with applicants indicating that they were unsure exactly what information they were expected to provide, and the best format to provide the information. The Customer Support team also reported receiving many enquiries regarding uncertainties around the expectations of the application and the format to answer the questions. Multiple applicants suggested that creating templates for the workplan and costs response could make it clearer for them to understand the required information (e.g. model answers).

Interviewed applicants had mixed views of the word limit associated with each question; some applicants found that the short word limits helped to motivate short and concise answers, whereas other applicants felt that the word count was restrictive and meant the responses had to be considerably condensed, making them feel that they were not given enough opportunity to fully explain their projects.

4.2.2 Suitability for Innovate UK assessment processes

Innovate UK stakeholders indicated that the information collected allowed Innovate UK to extract information required to undertake a reasonable assessment of the quality of the applicants, and no improvements were suggested during the consultations. Independent assessors were not consulted as part of the study, however, meaning this assessment is partial.

4.2.3 Changes to the application form

The application form adopted was used in the previous Fast Start programme. The application form had a new question on company financials (Question 7) which aimed to improve the speed of financial viability checks by limiting communications with the applicants. The new question asked applicants how existing funding arrangements for the company would ensure the financial viability of the company during the completion of the project.

There were no instances during the applicant consultations where applicants expressed concerns that this new question was disproportionate or was burdensome to complete. The inclusion of this question also created efficiencies during the second stage due diligence process by limiting the amount of communication required between the applicants and the Project Finance team, which can reportedly add significant delays to the second stage due diligence process due to slow responses from the applicants.

4.3 Single assessor approach

For the Fast Start: Innovation competition a single external assessor was used to review the submitted applications. This deviated from the previous COVID Fast Start 2020 competition which used three assessors (a combination of internal and external) and differs from other competitions which use five assessors. The rationale for using one assessor was to save costs and to simplify the assessor

allocation process. The use of a single assessor also limited instances of expert dilution. When using three assessors, sometimes there would only be one subject matter expert whose views would have been 'diluted' by the other two assessor. Insights from the Economics and Insights team indicated that altering the number of assessors yielded minimal changes in assessment outcomes, and the Fast Start team considered that the possible risks to the robustness of funding decisions was tolerable.

The evidence from the evaluation indicated that the single assessor approach resulted in intended efficiency gains, and while it is challenging to be conclusive regarding the impact on funding outcomes without re-evaluating the proposals received, no stakeholder group raised significant concerns:

- **Efficiency gains:** A primary motivation for the use of the single assessor approach was the cost saving, estimated to be £0.14m.⁷ It also reportedly led to efficiencies by simplifying processes such as reducing the administrative burden of both allocating assessors and dealing with assessment discrepancies (i.e. outlier scores).
- **Single assessor approach:** The use of a single reviewer assigned on the basis of expertise can potentially offer a clearer view of the commercial and technical merits of an application than other approaches (such as panel of randomly assigned assessors which carries the risk of diluting expert views). However, it may also carry risk that a single opinion significantly influences funding decisions if there are divergent views across those with expertise across the relevant technical and commercial domains.

Innovation Leads undertook a consistency check that reviewed applicants above the quality line to check for consistency in the assessment process. These consistency checks reportedly confirmed that assessment scores were consistent with the quality of the application based on the provided assessment criteria.

While this evaluation has not sought to directly validate the outcomes of the independent assessment process, the move to a single assessor approach does not appear to have raised significant concerns amongst those applicants interviewed (though as noted these views cannot be taken as a representative view). A systematic assessment - involving the random selection of proposals for re-assessment - could provide greater confidence in the approach moving forwards and support broader application of the approach in Innovate UK. Nevertheless, it was broadly considered by internal stakeholders that the approach was proportionate given the value of funding involved.

- **Complaints:** Internal stakeholders acknowledged that the use of a single assessor may open the possibility of complaints around the assessment process and the scores received. However, stakeholders managing the competitions did not flag any issues around complaints on the assessment. A minority of applicants interviewed expressed some concerns that a single assessor provided a single point of view, however they stopped short of raising formal objections.
- **Feedback:** The lack of feedback provided to applicants was identified as a notable deficiency in the assessment process by interviewed Innovate UK stakeholders, and applicants. The lack of feedback was deemed crucial as it hindered participants' ability to comprehend how to enhance their ideas and identify strengths or weaknesses in their applications, especially considering many applicants

⁷ Assuming a cost of £50 per assessor, meaning a cost saving of £100 per assessment

were new to grant funding competitions and feedback would help increase the quality of future applications.

However, during the process of releasing scores, there was a system malfunction, which was reported as user error, that inadvertently disclosed assessment comments to a few applicants. In interviews, some of the applicants who received this unintended feedback expressed concerns about the lack of depth and possibly inadequate understanding of their application.

Most interviewees suggested that in the future, receiving feedback and having assessors provide meaningful input to applicants would be beneficial – however there are likely to exist potential reputational risks given this is the opinion of a single assessor. Unsuccessful applicants identified how constructive feedback could motivate them to persist with their ideas despite not securing funding. However, more assessor time would be required to increase the depth of the feedback, which could substantially offset the efficiency gains realised by reducing the number of assessors.

There is also a risk that the provision of feedback could result in additional complaints, which would have to be processed, investigated, and responded to. Whilst not possible to quantify this as part of the evaluation, this additional cost would further erode the efficiency gains realised through the single assessor approach if feedback were to be released.

4.4 First stage due diligence

The first stage due diligence checks were completed within the expected time frames. Innovate UK stakeholders suggested that it took a third-party supplier 28 hours to return first stage due diligence checks on all companies. Monitoring information identified that 31 applicants (2% of all applicants) were flagged during the first stage due diligence – where the Project Finance team made the final decision on whether the company should be allowed to enter the competition.

One of the motivating reasons for introducing the first stage due diligence checks was to save costs by not having to pay for the assessment of projects not eligible for the funding. The costs of the first stage due diligence checks (reported to be £12,000) can be compared against an estimated cost saving of £1,550 ruled out through the first stage due diligence checks.⁸ This suggests that the cost of the first stage due diligence was greater than the avoided assessment costs - raising a question regarding the value for money of the third-party checks. It should be noted that this does not account for the speed at which the checks were completed.

Additionally, the Project Finance team indicated that the first stage due diligence checks were basic and could be completed in-house, potentially raising questions of the value for money of the third-party checks. It should be noted that improvements in the value for money for the first stage due diligence checks would only be achieved if the cost of using the third party exceeded the cost of undertaking these checks in-house and there are uncertainties regarding how rapidly this process could have been completed had they been taken forward by the Project Finance Team given capacity levels. Using Project Finance to undertake these checks may also divert resource away from tasks that only internal teams could complete, which may lead to opportunity costs.

⁸ As set out above, 31 applicants were ruled out during the first stage due diligence checks. At a cost of £50 per assessment, this equates to a total avoided assessment cost of £1,550.

As noted, the applicant consultations identified one instance where an applicant who had previously received funding from Innovate UK set up a new company solely to receive the grant money from the Fast Start: Innovation competition. Whilst this is not technically against the rules of the competition, it is against the spirit of the competition, and is a risk that the central Fast Start team were aware of. The qualitative consultations are by nature not designed to be representative of the broader pool of applicants, as such it is not possible to estimate the extent to which this happened beyond the one reported instance.

The central Fast Start team discussed the challenges in differentiating genuinely new companies from companies that have been created for the sole purpose of adhering to eligibility criteria. The central Fast Start team described how these checks would likely be subjective, and they were not confident that even with extra resource devoted to the first stage due diligence they would be able to identify potential 'bad actors.' However, Innovate UK may wish to consider further clarification around this in future competitions to prevent resources reaching businesses that may have in practice had a long history of engagement with Innovate UK.

5 Project Selection

This section explores the portfolio of funded projects, exploring how the portfolio selection covers the full scope of the competition, as well as exploring the quality of the applicants and extent to which the companies that applied are financially viable – through second stage due diligence checks.

Key findings

Funding outcomes: Although the competition received a lower volume of applications than anticipated, the Fast Start: Innovation was able to achieve a balanced spread of projects across the target technology areas. The eligibility criteria appeared effective in routing a greater share of public resources to businesses at their earliest stage of development with no history of private fund raising.

Additionally, although the average assessment score associated with funded projects was lower than for COVID Fast Start 2020 competitions, the Fast Start team was able to select a project portfolio that overwhelmingly met Innovate UK's typical quality standards. This raises some questions regarding the desirability of receiving large volumes of excess applications given the resource required to assess proposals that may have no prospect of receiving public funding.

Second stage due diligence: An analysis of Companies House data suggests that less than 1% (7) of the funded companies have since entered insolvency proceedings or otherwise encountered episodes of acute financial distress. This suggests that the second stage due diligence process was effective in ensuring that grants reached firms that were solvent and minimised the risk that public funding was wasted by allocating funding to firms that were not financially viable.⁹ However, these checks took longer than anticipated (30 days) contributing to delays in the signature of Grant Offer Letters - though there were some questions raised regarding the achievability of these target timelines giving the need for iterative engagement with applicants to obtain the critical information needed to perform these checks. Innovate UK could consider how far there may be scope to adapt the application form further to collect some of this critical information (e.g. financial statements) if there is a need to further accelerate due diligence processes.

5.1 Application outcomes

After determining which projects exceeded the quality line, funding was awarded based on the application score, using a top-down basis. Innovate UK reserves the right to rebalance the portfolio of funded projects to ensure that each challenge area is sufficiently represented.¹⁰ The portfolio rebalancing is performed by the respective Innovation Leads and presented at a Funders Panel meeting. The Fast Start Team lowered the quality line for two reasons: 1) the target audience was small and micro firms who therefore were not likely to be experienced with grant funding applications (though in practice, only two projects with a score of below 70 received funding); and 2) because there were changes to the scoring for each question – where questions were scored out of 25 rather than 10 as in other BAU competitions.

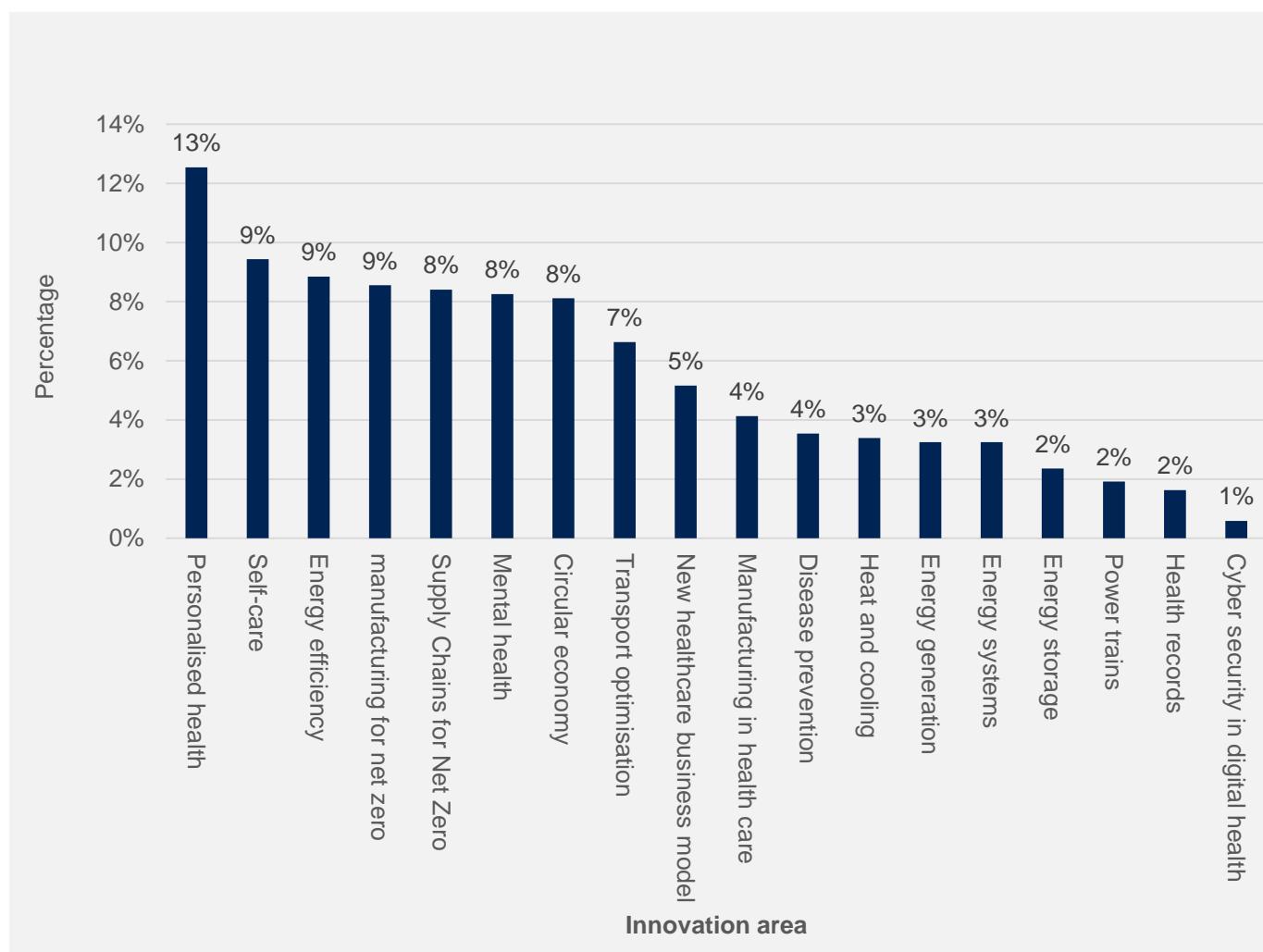
The effectiveness of the portfolio selection can be assessed through the below lenses:

⁹ As of 03/10/2023, five companies were in liquidation, one company was in administration and one company has been dissolved.

¹⁰ Challenge areas for Fast Start: Innovation included achieving net zero of self-driven healthcare

- Transparency of the project selection:** The portfolio rebalancing that is undertaken during the Funders Panel is documented via specific sets of paperwork that the Portfolio Manager is responsible for completing. Leads from the Fast Start Team, Innovation Leads, Assurance, and Project Set up were all required to sign off on the proposed changes; this is reflected in the documentation from the Funders Panel. Consultations with the relevant domain Innovation Leads identified that the from the Net Zero challenge theme, projects focusing on environmentally friendly manufacturing were over-represented, whilst project addressing low carbon user centric heating and cooling solutions were underrepresented. As such, lower scoring (but still above the quality line) manufacturing projects were substituted for the higher scoring unfunded heating and cooling projects. These proposed changes were agreed and finalised at the Funders Panel meeting, where it was reported that those at the Funders Panel agreed with the proposed changes.
- Extent to which the funding covered the full scope of the competition:** Across the portfolio of funded applicants, 56% of projects (379 projects) were from the achieving net zero and reducing environmental impact challenge theme, and 44% of projects (299 projects) were from the self-driven and de-centralised healthcare and mental wellbeing themes. The application data provided by Innovate UK suggests that the portfolio of projects covered the full scope of the competition, shown in Figure 5.1 below. Whilst Figure 5.1 highlights that there is not an equal distribution of funding across all innovation areas, Innovate UK stakeholders did not raise concerns about this during the consultations.

Figure 5.1: Portfolio coverage by innovation area

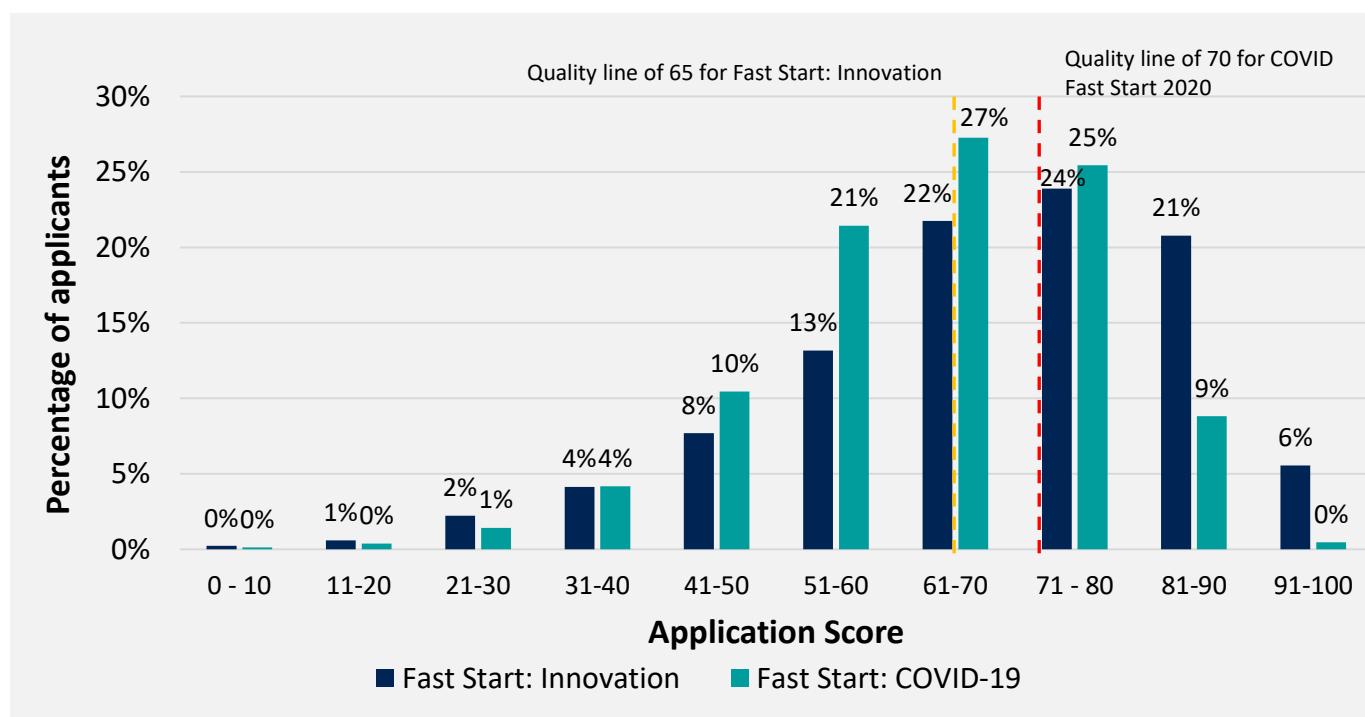


Base: all funded projects, n=678.
 Source: Innovate UK monitoring data

- **Quality of applications:** Analysis of monitoring information, presented below, suggests that there were only marginal differences in application quality (as measured by application scores) between the Fast Start: Innovation and COVID Fast Start 2020 competitions. The analysis does not provide any strong evidence that the shorter application window for the Fast Start: Innovation competition (11.5 days compared to 14 days for the COVID Fast Start 2020 competition) had a material impact on the quality of the application. Additionally, though a smaller volume of applications were received than anticipated, this did not have a material impact on the assessed quality of projects that ultimately received funding. Of the 1,352 that were assessed, 881 were deemed to be above the quality line (drawn at 65), and 678 projects were awarded funding (with only two receiving a score less than 70).

The above suggests that there were no adverse impacts on quality (compared to the COVID Fast Start 2020 competition) due to a shorter application window or through less applicants. This raises questions to why the quality line for the Fast Start: Innovation competition needed to be lowered.

Figure 5.2: Distribution of application Scores

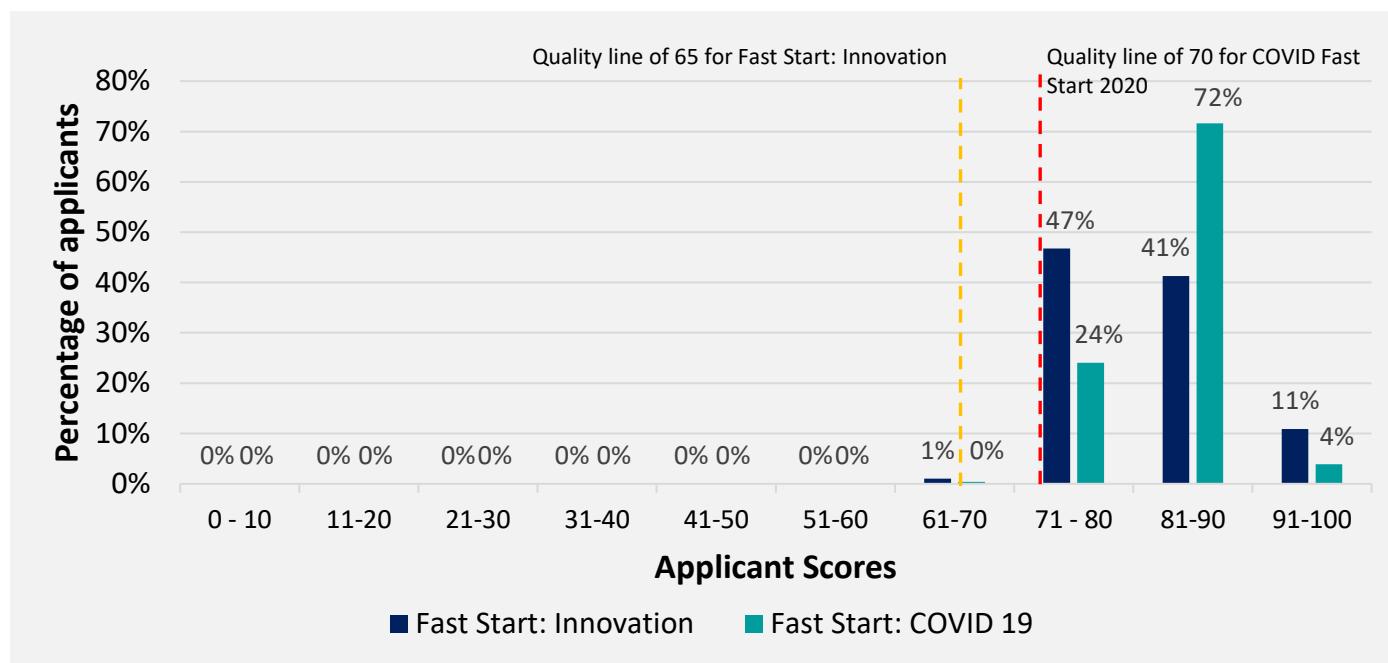


Base: For Fast Start Innovation: All assessed, applicants (n=1,352).

Base: For COVID Fast Start 2020: All assessed applicants (n=7,985)

Source: Innovate UK Monitoring Data (2021) and Innovate UK Monitoring Data (2022)

Orange line represents the quality line (65) for Fast Start: Innovation and the red line represents the quality line for COVID Fast Start 2020.

Figure 5.3: Distribution of successful application scores

Base: For Fast Start Innovation: Funded applicants (n=678).

Base: For COVID Fast Start 2020: Funded applicants (n=969)

Source: Innovate UK Monitoring Data (2021) and Innovate UK Monitoring Data (2022)

- **Prior funding:** One of the key objectives of the competition was to promote and encourage innovation amongst innovative companies during their early stages. Based on Ipsos analysis of PitchBook records, 15% of successful applicants to the Fast Start: Innovation had some history of private fund raising.¹¹ This is lower than the COVID Fast Start 2020, where 27% of successful applicants had raised external private funding. This provides an indication that the eligibility requirements of Fast Start: Innovation has helped route greater shares of funding to companies at their earliest phases of development.

5.2 Second stage due diligence

The second stage due diligence checks were completed by the Project Finance Team. The Project Finance team carried out the company viability and project cost eligibility checks to see if everything that they had asked for as part of their project was considered an 'eligible cost':

- **Time to complete the second stage due diligence:** For Fast Start: Innovation, the Project Finance Team were given 30 days to undertake the second stage due diligence checks. Consultations with Innovate UK stakeholders identified that the second stage due diligence checks were a source of delay in the competition; where the checks often exceeded the 30 day target. During consultations, Project Finance expressed concerns that the 30-day target was not achievable, citing that engaging with the applicants to obtain critical information often limited the ability to meet the target. The Project Finance Team reported how engaging with applicants could often cover several days (per applicant) whilst they sourced the relevant information, and provided clarification on what was needed.

¹¹ Data extracted 20th March 2023. Deals included: Accelerator/Incubator, Angel (individual), Early Stage VC, Equity Crowdfunding, IPO, Later Stage VC, Merger/Acquisition, Product Crowdfunding, Seed Round, Spin-Off

To avoid time consuming communications with applicants, Innovate UK could consider collecting essential data (e.g. financial statements and a breakdown of project costs) that are used in the second stage due diligence checks during the application stage. This proved successful including the additional question in the application on how the funding plans for the company would support the success of the project (Question 7). Project Finance described how the reduced amount of information that needed to be collected post-application, limited the levels of engagement between the Project Finance Team and successful applicants (see Section 4.1.2 for more detail).

- **Proportionality:** Stakeholders at Innovate UK described the trade-off between the speed of the check and the quality of the check, where quicker checks typically result in a lower quality check. There were mixed views from Innovate UK stakeholders on the proportionality of the second stage due diligence checks. Some Innovate UK stakeholders felt that the checks were not proportionate to the funding that was offered. However, other stakeholders expressed concerns that these types of competition can be open to fraudulent claims. They explained that given the competition was targeting small and micro businesses (who were likely in their early stages), they wouldn't have a proven track record of their operations – raising concerns that this could be exploited and lead to fraudulent claims. These stakeholders explained that a sufficient level of due diligence should be undertaken to ensure that the grants are administered to the intended companies.
- **Resource:** It was reported during consultations that resource was used from other competitions to increase the capacity of the Project Finance Team, in an attempt to complete the checks within the 30-day target. It was reported that there was no impact on BAU activity - owing to the "*quiet period*" as described by one Innovate UK stakeholder, otherwise it is likely that it would have impacted BAU activity. This suggests that the time to complete the second stage due diligence checks needs to be increased and factored into future competitions – retaining the quality of the checks but increasing the overall delivery time of the competition.
- **Effectiveness of checks:** An analysis of Companies House data suggests that less than 1% (7) of the funded companies have since entered financial distress.¹² This suggests that the second stage due diligence checks maybe effective in ensuring the financial viability of the companies that received funding. For comparison, 4% (37) of the companies funded through the COVID Fast Start 2020 competition have since entered financial distress.¹³ A comparison of the proportion of firms in financial distress between the two competitions should be interpreted with caution given the COVID Fast Start 2020 competition was three years prior, meaning more time for companies to subsequently face financial difficulties.

¹² As of 03/10/2023, five companies were in liquidation, one company was in administration and one company has been dissolved.

¹³ As of May 2023, 79 companies were in liquidation, nine companies were in administration and 154 companies were dissolved.

6 Contracting and Monitoring

This section provides an overview of the contracting and monitoring processes delivered under Fast Start: Innovation in 2022. The analysis also draws on monitoring data and consultations with Innovate UK stakeholders and applicants. It should be noted that the findings of the project close out stage are limited because the programme was still ongoing during the fieldwork dates and many projects awarded funding had not closed.

6.1 Contracting

This section provides an overview of the contracting processes delivered under Fast Start: Innovation in 2022. The evidence from depth interviews with Innovate UK stakeholders and firms awarded funding (this content was not covered with declined applicants) provides some early insights into the contracting process and up-front payments. The analysis also draws on monitoring data provided by Innovate UK to make judgements on the timeliness of the contracting systems. The findings are limited because the programme was still ongoing during the fieldwork dates and many projects awarded funding had not closed.

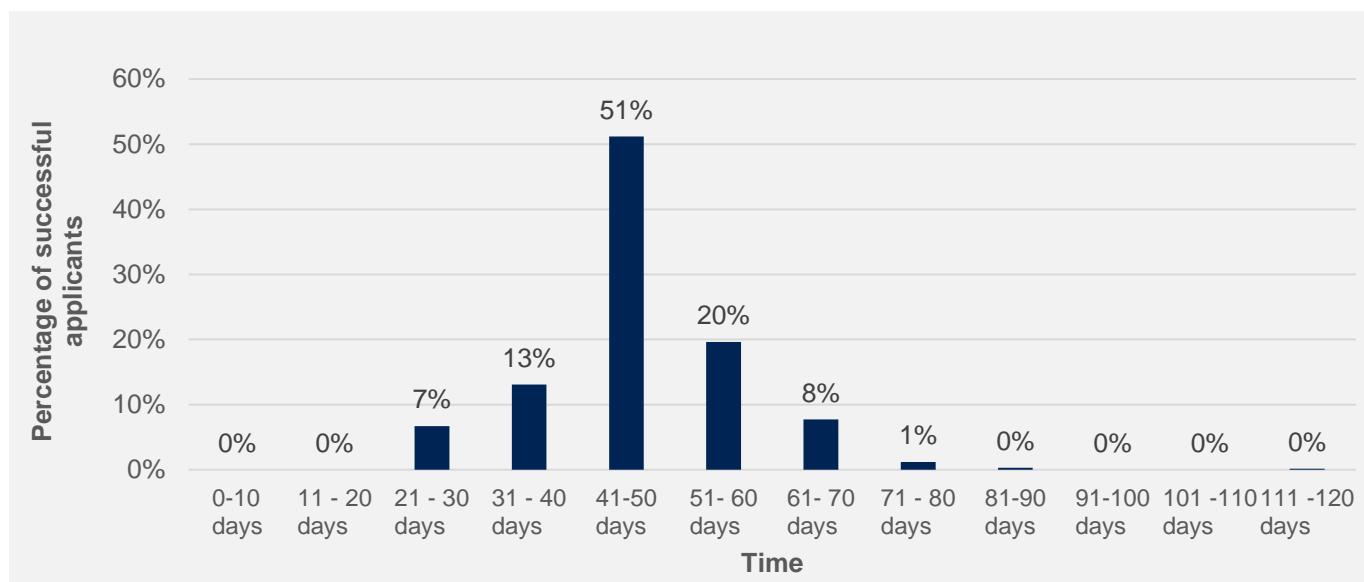
Key findings

There were some challenges associated with the contracting processes but interview evidence from firms awarded funding indicate that associated delays with GoL and upfront payments created mainly administrative issues, but reportedly did not impact on the company's ability to deliver its project. For some applicants, project timelines were shifted to accommodate the delays.

The main challenge occurred in relation to the pre-payments process, where existing Innovate UK systems struggled to process the volume of payments administered through Fast Start. In practice, this meant that Innovate UK staff had to put manual quality-assurance processes creating a more labour-intensive process than 'business as usual'.

6.1.1 Grant Offer Letter (GoL)

All firms awarded funding are issued with a Grant Offer Letter, confirming grant amounts, payment schedule and other contractual details. GoLs are expected to be issued within 60 days after being notified – reduced from 90 days as in other BAU competitions. Figure 6.1 identifies that the majority of applicants (91%) received their GoL within the 60-day target. 9% of successful applicants (63 applicants) had to wait longer than 60 days – where the longest an applicant had to wait was 119 days. An analysis of monitoring data indicated that 127 projects (18% of all funded projects) failed to receive a GoL by the 1st November project start date set by Innovate UK. As noted in Section 5, these delays were largely due to delays in the second stage due diligence process.

Figure 6.1: Days between notification and GoL

Source: Innovate UK Monitoring data (2023)

Base: Funded applicants: n= 678

Evidence from firms awarded grants indicated high levels of satisfaction with both the terms and conditions of the GoL and that the grant amount aligned to their expectations. However, a small number of interviewees (2) commented that they found the GoL difficult to understand and would have valued some guidance on interpretation.

Whilst most interviewees did not report issues with the time taken to receive their GoL, in a minority of cases (3), firms awarded funding were dissatisfied with the time it took for them to receive their GoL. In these cases, however, the delays did not lead to material difficulties for project delivery or changes in scope.

6.1.2 70% upfront payments

The 70% upfront payments were introduced to give companies a cash injection to immediately initiate their R&D activity. Innovate UK stakeholders described how this change was made to address cashflow issues that are especially prominent among small and micro businesses. This differs from the COVID Fast Start 2020 competition where 100% of the funding was paid in advance, and differs from other Innovate UK competition where payments are made in arrears.

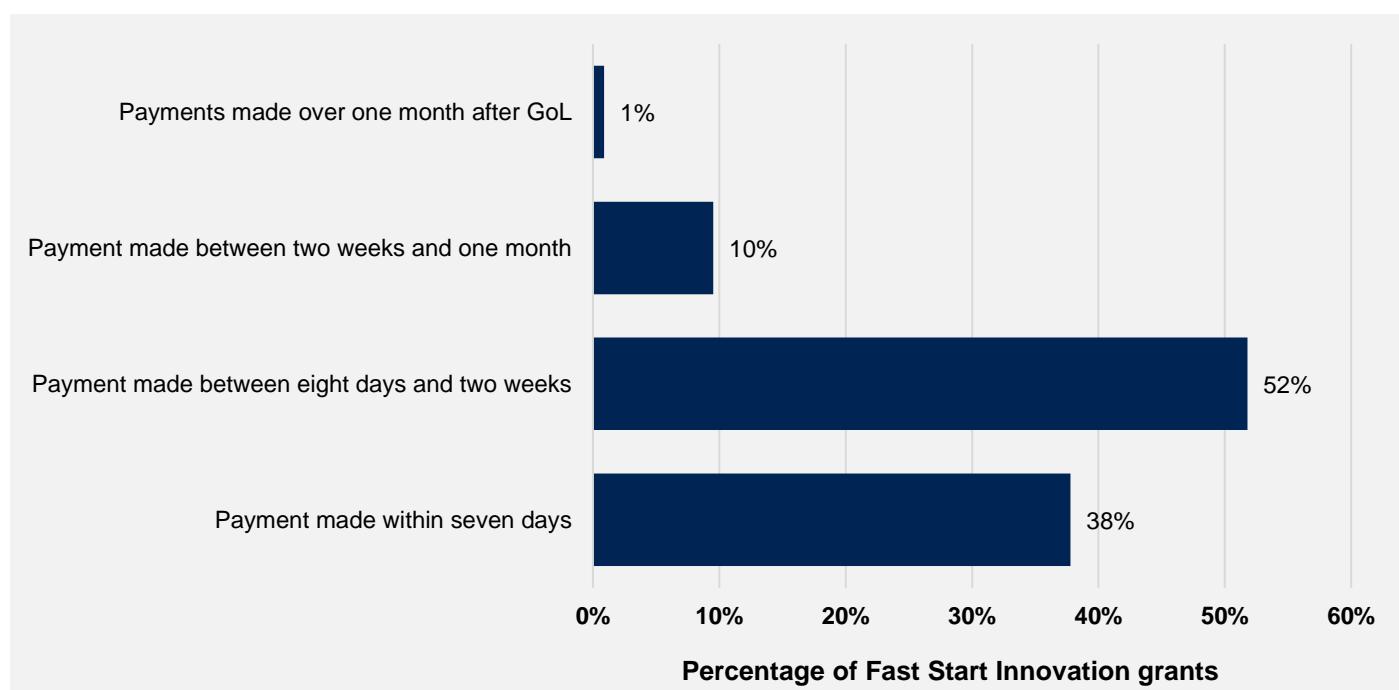
- **Timeliness:** Most firms awarded funding (90%) received their upfront payment within two weeks of signing the GoL – around two fifths (38%) received their payment within seven days (see Figure 6.1). Interviews with firms awarded funding corroborated this – with most reporting that the payment was received promptly after the GoL. In a minority of cases (10%), upfront payments were issued later. Evidence from consultations with successful applicants provided a mixed response on the impact of the delay in receiving the 70% upfront payment. For example, some applicants that had pre-booked lab time had to re-negotiate with the university that supplied the lab when they would be using it. The impacts described by during the consultations appeared to be mainly administrative burdens, rather than directly impacting the success of the project. In instances where payments were delayed, the project end date was accordingly extended.

Stakeholder consultation indicated that there were some substantial obstacles in administering the upfront payments. The upfront payment process used separate systems for the post-award project

management (IFS) and for payments (Workday) that are linked by background software (SII) administered by UKRI. The system struggled to deal with the volume of projects for Fast Start and there were regular breakdowns during the pre-payment phase. In practice this meant that substantial amounts of payments failed (in one batch of 150 payments, around 75 failed).

Innovate UK was not able to quickly troubleshoot the software administered by UKRI and Workday and therefore had to put numerous manual controls in place to ensure the payments were made. Innovate UK also liaised with HM Treasury to authorise one-off same day payments to ensure they honoured the payment schedule. There were a small number of instances referenced by firms awarded funding and stakeholders where upfront payments were delayed because of inaccuracies in their workplans and reported budgets.

Figure 6.2: Time between GoL publication date and 70% up front payment for firms awarded Fast Start Innovation grants



Source: Innovate UK Monitoring data (2023)

Base: Funded applicants: n= 678

- Project delivery:** Evidence from the applicant consultations broadly suggested that the upfront payment was required to enable the project to start – indicating that without the upfront payment, they wouldn't have been able to pay for vital aspects of the project (e.g. lab time, computer time, materials to build prototypes, etc.). Many applicants also described the upfront payment as an attractive part of the competition, indicating this feature of the programme may be helpful in promoting engagement with businesses at their earliest stage of development.

A post-project survey (completed by 488 projects¹⁴) issued by Innovate UK suggested that 91% of projects found the advanced payment to be a 'very important' aspect of the competition. Those that completed the survey commonly cited improved cashflow management, reduced financial stress and resource allocation/ management as key impacts of the advanced payment which helped to allow

¹⁴ Data represents 488 projects that completed the survey as of 10/11/2023.

projects to progress more effectively. This suggests that that upfront payment was an attractive feature of the competition that helped contribute to success of the projects.

6.1.3 Final payments

Of the small number of interviews with firms awarded funding, three project had submitted their invoice for the final 30% payment and all were still awaiting payment. In all three cases, the payments were reported as delayed and there was a lack of clarity when the payment would be received. The three applicants who were interviewed did not comment on how long they had been waiting but did not express concerns regarding how long they were waiting – although it is not known how quickly the applicant received the payment after the consultation.

6.2 Monitoring and performance management

Monitoring arrangements are put in place to keep track of individual projects and identify which projects are succeeding and which are failing. Funded projects have three key monitoring deliverables; at project inception, halfway through the project and at project close. It should be noted that due to the timings of the consultations for both Stakeholders and applicants, the full monitoring process was not fully complete. As such it has not been possible to fully understand the final monitoring stages; especially concerning the advice the MSPs may have provided applicants around project close. This therefore limits the conclusions that can be drawn from the monitoring process.

Key findings

Appropriateness of specialist monitoring service providers: Applicant consultations identified that the MSPs mainly advised on administrative issues specific to Innovate UK or the grant funding process. As such, it is not considered proportionate to recruit specialist MSPs for competitions that target small/ micro businesses new to Innovate UK or grant funding more generally.

Effectiveness of monitoring: Stakeholders suggested that the documents submitted by the applicants provided a good indication on the progress of the projects and were useful in identifying any potential or realised risks to project delivery.

Monitoring officer booking system improvements: Identified and acknowledged by a number of stakeholders, an overhaul of the booking system used to recruit MSPs may have prevented (or limited) the use of EOIs to fill vacant projects. Changes such as options to filter by innovation area and project theme, or showing unassigned projects on the first page could be relatively simple to implement and could help prospective MSPs better navigate the projects that need a MSP assigned.

6.2.1 The role of monitoring service providers

Consultations with applicants indicated that MSPs were mainly used to help navigate Innovate UK systems, and the monitoring requirements associated with grant funding. This highlighted that the role of the monitoring officer for Fast Start: Innovation was focused more on administrative support rather than providing business or technical advice. As such, specialist MSPs contracted for the competition may not have been required, and less specialised monitoring officer who could advise on Innovate UK systems and the grant process may have been sufficient (helping to avoid issues caused by the undersupply of MSPs).

It should be noted that MSPs were not exclusively used for administrative support. Applicants described that MSPs were useful to help overcome challenges. For example, one applicant described how their

monitoring officer was able to advise on the best ways to collaborate with academics. Some applicants even reported that the MSPs facilitated collaboration and networking opportunities between Fast Start: Innovation applicants. Other applicants highlighted that MSPs advised on future upcoming competitions that may be of relevance. Whilst this goes beyond administrative support, it still does not require the specialist level of knowledge that MSPs for the Fast Start: Innovation competition had. However, it should be noted that the sample of applicants small and not representative of the wider pool of applicants.

6.2.2 Monitoring officer booking systems

Consultations with stakeholders identified that there were system issues which prevented the allocation of MSPs to projects; where qualitative evidence from the consultations suggested that roughly half of the projects failed to be matched with a monitoring officer using the booking system. Innovate UK Stakeholders described that a key limitation of the booking system was that projects without any monitoring officer bids were not shown at the top, rather there was a fixed order of projects with no way to filter projects based on monitor officer assignment.

The system issues exacerbated the shortage of MSPs described in Section 3.1.2, which meant some projects started without a monitoring officer. Some of these projects were part of the consultations. The applicants reported that the absence of a monitoring officer did not have an impact on receiving the 70% upfront payment or beginning their project on time and raised no concerns in relation to beginning their project without a monitoring officer. However, it should be noted that the sample of projects spoken to is not representative of the wider pool of funded projects.

6.2.3 How adequately was project performance assessed

During the consultation Innovate UK stakeholders suggested that the documents submitted by the applicants provided a good indication on the progress of the projects and were useful in identifying any risks. However, there were mixed views regarding the proportionality and the value for money of the MSPs:

- **Proportionality:** The majority of the applicants that were interviewed found the level of monitoring to be proportionate to the value of the grant which they were given. The applicants indicated that it took a couple of days of time to complete the monitoring requirements, although it should be noted that the final reports were not completed at the time of the interviews.

However, concern was expressed among stakeholders at Innovate UK that the level of monitoring was disproportionate to the level of funding, as well as the length of the projects. Stakeholders felt that for small value grants, and for projects over a 6-month period, less monitoring could have been used. One stakeholder suggested that the monitoring time could have reduced to 1.5-2 days of time per project.

- **Value for money:** During Innovate UK stakeholder consultations, it was identified that MSPs are paid £500 per day and are allocated three days work per project. Therefore, the estimated cost of the MSPs was £1m for the Fast Start: Innovation competition. One consultee explained how it was *“hard to justify the costs of the expert monitoring service providers”*. It was suggested during consultations that monitoring could have been reduced to 2 days (representing a cost saving of (£0.3m) or internal Innovate UK staff could have been used opposed to external MSPs as requests were mainly focused around Innovate UK systems. Using internal staff to undertake monitoring would only represent a value for money improvement if this role can be absorbed into BAU activity.

Given a total of 678 successful applicants, and three days of monitoring per funded project, this equates to 2,034 days of monitoring required. It could therefore be considered implausible to absorb this time in BAU activity as this would likely lead to opportunity costs elsewhere.

7 Conclusions and Recommendations

This section sets out the key conclusions of the process evaluation of the Fast Start: Innovation competition. This section also highlights some key learnings, as Innovate UK begin to use Fast Start as a business-as-usual competition.

7.1 Conclusions

This section sets out the key conclusions from the process evaluation of the Fast Start: Innovation competition and addresses the key research questions set out in Section 1.3:

- **Competition set up:** the competition set up phase involved several teams and covered various aspects including scope, eligibility, scale, resourcing and marketing. However, fewer applications were received than expected due to the limited marketing scope and ambiguities over the definition of 'new to Innovate UK'. The costs of receiving lower numbers of applications than anticipated do not appear to be significant as Innovate UK was able to fund quality projects and maintain a balanced portfolio across the key technologies themes of the competition. There was a shortage of specialised MSPs, however concerns were raised around the value added of using specialist MSPs.
- **Application process:** The time to complete the application form was considered by applicants as proportionate given the funding available, and provided the necessary details for evaluation the applicants commercial, technical and economic merits. The additional question asking applicants to describe the funding plans for the company to support the project was not found to impose undue burdens on applicants, and increased the efficiency of the second stage due diligence process. Numerous enquiries regarding content expectations were made, particularly for the workplan and costs question, where the provision of model answers or templates may be helpful for this community of potential applicants. Requests were also made to make guidance documents more accessible to 'lay' audiences.
- **First stage due diligence:** These checks were rapidly undertaken by a third-party contractor (within 28 hours) and helped identify 31 ineligible applications (2% of all applicants). It is estimated that the cost of the first stage due diligence process was higher than the avoided cost of assessing ineligible applicants. It was considered that Project Finance Team would have the capability of performing these checks, raising some questions regarding the added value of appointing a third-party contractor to perform these checks although it is unclear how far the process could have been completed at the same speed given overall internal capacity and any competing priorities.
- **Assessment process:** The move to a single assessor approach produced the intended efficiency gains and no stakeholder group (including applicants) raised significant concerns regarding the move to the single assessor approach. This was corroborated by consistency checks undertaken by the Fast Start team, and the approach appears to reach an appropriate trade-off between cost and robustness given the value of grants provided through the scheme. The main cost of the single assessor approach relates to the extent to which it is possible to provide detailed feedback to declined applicants. While this could potentially be addressed by increasing investment in improving the depth of feedback provided by assessors, this would likely offset the efficiency gains realised (given the large numbers of declined applicants) and could produce additional internal costs (such as the need to quality assure any communications with applicants and increased resource to handle additional complaints).

- **Project Profile:** Despite the smaller volume of applications received than anticipated, Innovate UK was nevertheless able to award funding to a portfolio of projects that met its typical quality standards. The portfolio was also broadly balanced across the priority technology areas and restricting the eligibility criteria to firms that are new to Innovate UK appears to have been effective in increasing the share of public funding reaching firms at their earliest stages of development (relative to the first Fast Start competition).
- **Second stage due diligence:** An analysis of Companies House data reveals that less than 1% (7) of funded companies faced insolvency or acute financial distress, indicating the effectiveness of the second stage due diligence process. However, this process took longer than anticipated (30 days), causing delays in issuing grant letters. Innovate UK could consider how far there may be scope to adapt the application form further to collect some of this critical information (e.g. financial statements) if there is a need to further accelerate due diligence processes.
- **Contracting:** There were some delays associated with the contracting processes but interview evidence from firms awarded funding indicate that delays with GoL and upfront payments created administrative issues but did not impact on the company's ability to deliver its project (although timelines were sometimes shifted to accommodate the delays). Evidence from the applicant consultations broadly suggested that the upfront payment was often required to enable the project to start - as firms may not have been able to pay for vital aspects of the project given their liquidity and cashflow position (e.g. lab time, computer time, materials to build prototypes, etc.). Many applicants also described the upfront payment as an attractive part of the competition, indicating this feature of the programme may be helpful in promoting engagement with businesses at their earliest stage of development.
- **Monitoring:** Owing to the timings of the evaluation the full monitoring process was not fully complete and it has not been possible to fully understand the final monitoring stages (especially concerning the advice the MSPs may have provided applicants around project close). However, while applicants found the support provided by MSPs useful over the course of project, interviews indicated that MSPs mainly advised on administrative issues, specific to Innovate UK or the grant funding process.

7.2 Recommendations

The above findings highlight the following potential lessons for any future Fast Start type competitions:

Contracting recommendations:

- **Increased use of data to aid deliverability:** Specifically, Innovate UK could consider adopting a more data driven approach when considering (i) the potential size of the applicant pool and (ii) the available resource to implement the scheme. Adopting a data driven approach would help to develop more reliable estimates of expected applicant volumes, where Innovate UK can set the resource accordingly; this would help to avoid incurring costs that did not need to be incurred. For example, an analysis of Pitchbook data identified that there were only 6,400 companies listed on Pitchbook that have been founded since 2020 in the self-driven healthcare and net zero – using this as the basis of the number of expected applicants (opposed to the number of applicants for COVID Fast Start 2020) could yield more reliable estimates of expected application numbers.
- **Monitoring service provider booking system improvements:** Identified and acknowledged by a number of stakeholders, an overhaul on the booking system used to recruit MSPs may have

prevented (or limited) the use of EOIs to fill vacant projects. Changes such as filter options and showing unassigned projects at the top would be relatively simple to implement and would help prospective MSPs better navigate the booking system to identify the projects that require monitoring.

Marketing and communications recommendations:

- **A more clearly defined working relationship with the Innovate UK Comms team:** During consultations uncertainties were expressed around what level of advertising and marketing is BAU, and what would extend beyond BAU activity and incur a cost to the programme. A more clearly defined working relationship between the Fast Start and Comms teams may help to deviate from BAU marketing and explore alternative channels to target businesses new to Innovate UK.

Application process recommendations:

- **Applicant feedback:** Particularly among unsuccessful applicants, as well as identified by some Innovate UK stakeholders, this was identified as a notable deficiency in the competition. Providing feedback to applicants, particularly those new to grant funding, is an important aspect in helping the unsuccessful applicants secure grant funding in the future. It was also noted that constructive feedback could motivate them to persist with their ideas despite not securing funding.
- **There is the need for system checks to be in place to prevent user error:** Feedback was distributed to all applicants due to user error. Installing system checks may help to flag instances where settings may have inadvertently been changed. This would help to risk reputational damage, as some applicants felt that the feedback they were provided represented a lack of understanding of their idea application.
- **Systematic review of the applications:** Given that the applications are marked by a single person, there may be the need for a systematic review of the application scores (e.g. an audit or quality assurance check). A more systematic moderation of assessments could offer greater assurance while preserving the majority of cost savings (i.e. ensuring that the quality assurance check does not offset the costs saving by using only one assessor). Although it should be noted that Cabinet Office guidance does not prescribe systematic reviews for competitions like Fast Start.¹⁵
- **Templates for work plan and costs:** Applicants identified this question as particularly challenging, with applicants indicating that they were unsure exactly what information they were expected to provide, and the best format to provide the information. Publishing templates or guidance for the workplan and costs could make it clearer for applicants to understand the required information.

Project selection recommendations:

- **Use the application form to collect as much applicant information as possible:** As indicated during consultations with Project Finance, engaging with applicants could often cover several days (per applicant) whilst they sourced the relevant information, and provided clarification on what was needed. Limiting the amount of engagement between Project Finance and applicants may therefore help to decrease the time to undertake the second stage due diligence checks. One possible way of

¹⁵ https://assets.publishing.service.gov.uk/media/6128f687d3bf7f63a54f60b6/2021-08-27_Grants-Standards-Guidance-INTRO.pdf

achieving this is to request essential data for the second stage due diligence checks during the application stage (e.g. financial statements and a breakdown of project costs).

- **Increase the time to undertake second stage due diligence checks:** Consultations indicated that Project Finance felt that the 30-day target for second stage due diligence checks was not realistic, and this was reinforced by the delays that occurred during this stage of the competition. For future Fast Start competitions, more time could be allowed for the second stage due diligence checks to be completed, which would help to reduce the delays in the competition.

Monitoring and performance management recommendations:

- **Use of less specialised monitoring service providers:** A key recommendation would be that for the Fast Start: Innovation competition, or other competitions that target micro/ small businesses, to consider the primary role of the MSPs and consider whether specialist MSPs are required. The evidence presented above suggests that applicants mainly required help with the administrative aspect of the monitoring, rather than require specialist business support. Using more 'generalist' MSPs would help to overcome supply issues, as well as increase the competition and so potentially result in cost savings.

Appendix 1: Evaluation Framework

Introduction

Ipsos was commissioned by Innovate UK in October 2022 to undertake a process evaluation of the Fast Start: Innovation competition. This document provides an overview of the steps and processes involved in the delivery of the Fast Start programme and an evaluation framework which will be used to inform the research phase of this evaluation.

Aims of the process evaluation

As stated in the Invitation to Tender, the purpose of this study is to 'firstly to assess from an Innovate UK lens if changes in internal process benefit IUK in terms of monetised and non-monetised benefits and secondly to understand the consumer (business) perspective regarding the process efficiencies and customer journey insights.'

The ITT summarised the following aims:

- Determine the impact (both intended and unintended) of doing things differently
- Provide comparison to the BAU competitions processes such as COVID Fast Start 2020
- Assess efficiencies and effectiveness of processes adopted as well as value for money aspects
- Identify changes to processes introduced during this round of Fast Start that can be justifiably taken forward and adopted/considered for BAU usage
- Identify and record lessons learnt from the design/delivery process to consider in future
- Understand the customer experience at every touch point in the process from engagement to award (particularly important given these are "new to Innovate UK" customer)

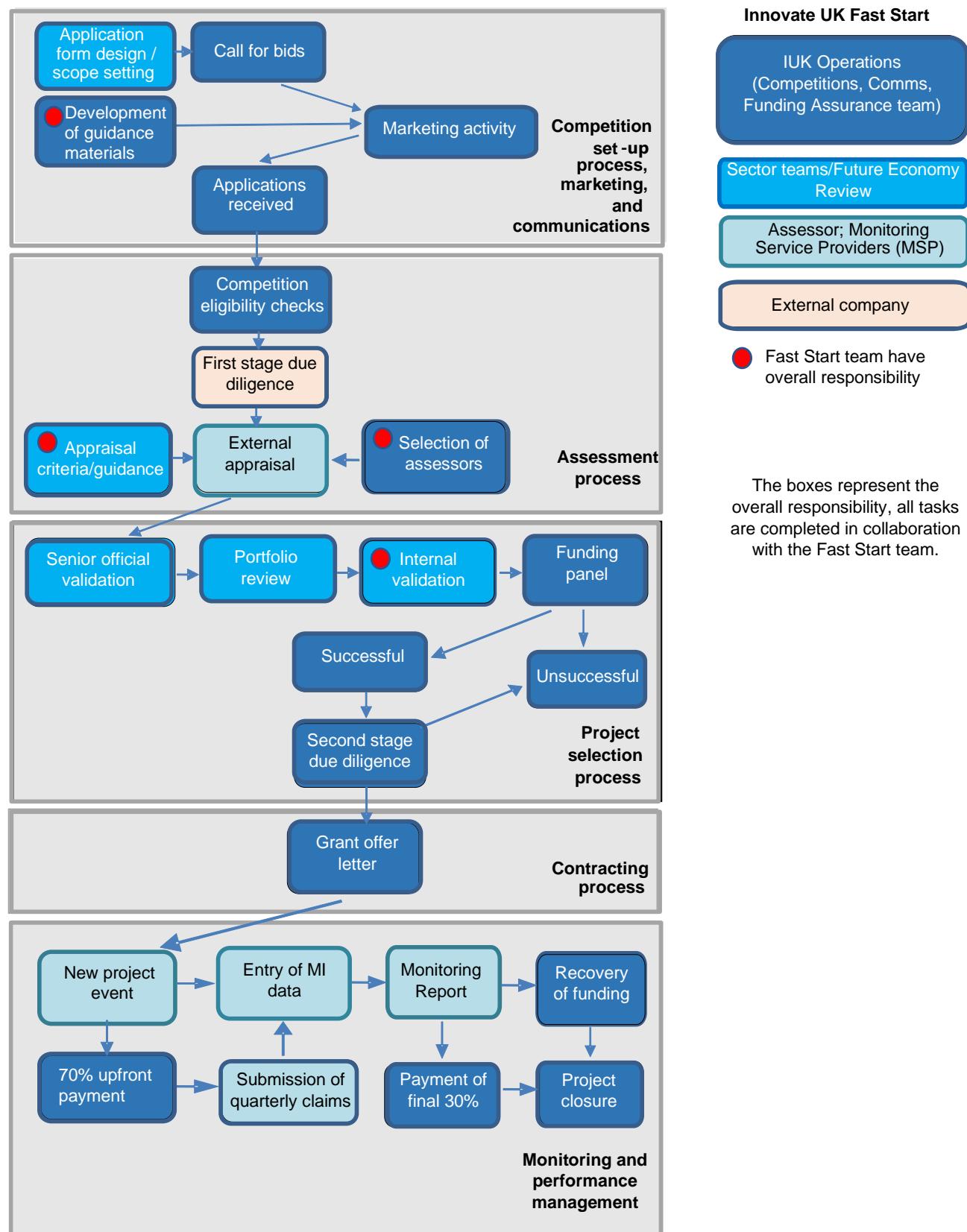
Familiarisation activities

The evaluation framework is based on the following familiarisation activities:

- Scoping interviews – The study team undertook a set of preliminary consultations with six key stakeholders, who have been involved in the design and delivery of the Fast Start: Innovation programme. Interviewees included the Head of Fast Start, the Programme Manager of Fast Start, the Impact Manager of Fast Start, the Fast Start portfolio Manager, Risks and Controls Manager and Monitoring Manager.
- Document review – The study team reviewed the documents provided by Innovate UK which included: the ITT; Position paper – Fast Start Future; Fast Start MSP briefing and FAQs; Fast Start Internal Business Case; Fast Start: Innovation Logic Model and the Fast Start innovation brief.
- Development of diagram of the Fast Start programme – The study team had several discussions with the Fast Start team to understand and capture the individual steps and processes in the Fast Start programme delivery.

Fast Start 2022 process evaluation

Innovate UK launched its new £30M Fast Start programme, 'Fast Start Innovation' in July 2022, building on the success of the £40M COVID Fast Start 2020 programme (March 2020).

Figure 1. Diagram of Fast Start 2022 programme

The programme was designed to support micro and small business to deliver rapid innovation projects to develop the technologies required for the UK's transition to Net Zero and self-driven healthcare.

During the scoping interviews and meetings with the Fast Start team, the different steps of Fast Start: Innovation were discussed. Figure 1 above shows the diagram with an overview of the steps and processes in the Fast Start: Innovation competition and the responsibility for each of the steps.

The steps in the Fast Start: innovation programme are described below. Several of the Fast Start: Innovation processes were changed compared to Fast Start Covid 19 processes. The changes and points for consideration for each of the stages of the Fast Start programme are described below. The evaluation will need to explore if the changes to Fast Start: Innovation delivered their intended benefit in relation to cost reduction and speed of the process. We will do this by comparing Fast Start Innovation to COVID Fast Start 2020 and other relevant BAU programmes, which could include the Creative Industries Fund and Smart fund (the relevant BAU programmes will be confirmed by the Fast Start team after review of this evaluation framework).

Competition set-up

The Future Economy Review, the Sector teams with support from central teams in Innovate UK developed the 'scope' for Fast Start: Innovation, i.e. a definition of what type of projects the competition will support. The Fast Start team was then responsible for developing both the eligibility criteria, explaining who can apply and under what circumstances, and the guidance materials.

The Fast Start: Innovation competition set-up processes were changed to achieve the following objectives:

- Develop a shortened application form which is easy to navigate and understand by potential applicants
- Change the Fast Start competition scope to focus on Net Zero and Self Driven Health innovations and encouraging projects to consider 7 tech areas of innovations that will be affordable, adoptable and investable (priority outcomes for the newly formed Department of Science, Innovation and Technology and Department for Energy Security and Net Zero).
- Only companies new to Innovate UK could apply for funding to increase Innovate UK brand awareness and reach

Points for Consideration: The evaluation will need to explore whether the applicants found the shortened application form easy to complete, if the assessment guidance was clear and if assessors felt they have enough information provided by the applicants to complete the assessment. The evaluation will need to analyse who applied for Fast Start 2022 and how the applicants found out about Innovate UK. It will be helpful to understand if marketing to 'new to Innovate UK' was effective and through which channels applicants found out about Fast Start. The evaluation will need to investigate the reasons why applicants who were aware of Innovate UK funding did not apply previously and if this was related to the scope and the funding model of Fast Start. The evaluation will also assess, if information is available, why some applicants started an application but did not complete their application.

Assessment process

Once the competition deadline passed, applications were initially internally reviewed to ensure they are complete and meet all eligibility criteria specified in the competition brief, including whether applicants were new to Innovate UK and had not previously applied under a different company name. This was followed by first stage due diligence completed by an external company. The company checked the

Directors of the companies and any other persons with significant control for any financial or legal concerns. These checks were conducted early in the process to avoid assessments of ineligible applications. External assessors are then appointed to assess the technical and commercial merits of projects. The assessment guidance and criteria were adapted for the Fast Start: Innovation round to reflect changes in the application form.

The Fast Start: Innovation assessment processes were changed to achieve the following objectives:

- Additional first stage due diligence, completed by an external company, was introduced to remove applications which do not pass due diligence before external assessment
- Reduction of the number of external assessors from three to one, to reduce costs and make better use of the expertise of the assessors. Assessors are matched to their specific area of expertise

Points for Consideration: The evaluation will review the effectiveness of the eligibility checks and first stage due diligence step. Reviewing the percentage of applications which are rejected at these steps and the reasons why will help to provide insight into any issues with the application process. The evaluation will need to look at the risk of distortions resulting from using one assessor instead of multiple assessors. The evaluation will analyse the impact of using one assessor on the number of approved projects. It was discussed in the scoping interviews that using one assessor reduced the cost of the assessments. It was suggested using one assessor allowed applications to be reviewed by one expert in the field, instead of one expert and two assessors with less relevant experience. Therefore, using one assessor was suggested to provide more accurate scoring and less 'expert dilution'. In the scoping interviews the increased risk for a Conflict of Interest was highlighted, as the single assessor might know the applicant and can make the decision to support or prevent the application being funded without being challenged. The evaluation will need to review assessor selection, declarations of Conflict of Interest and analyse the patterns of scoring by the assessors involved.

Project selection process

After external appraisal, the application goes through senior official validation and portfolio review. All applications above a quality threshold are categorised into subcategories, e.g. by technology area or innovation area. After internal review, the funding panel then confirms the highest scoring applications in each subcategory, which are funded until no budget remains. Applicants are then notified on the outcome of their application. After this, the successful applications go through second stage due diligence. During this due diligence stage, the project finance team carried out the company viability and project cost eligibility checks to see if everything that they have asked for as part of their project was considered an 'eligible cost'.

The Fast Start: Innovation project selection processes were changed to achieve the following objectives:

- Second stage due diligence aimed to look at company viability

Points for Consideration: Staff mentioned in the scoping interviews that the Fast Start 2022 funding process took much longer compared to COVID Fast Start 2020. The evaluation will look at the length of time between the closing date and applicants informed of the decision, explore the extent to which the second stage due diligence caused delays. The evaluation will need to review the time it took to complete second stage due diligence, including the company viability checks and project cost eligibility checks carried out by the project finance team. It was noted that during COVID Fast Start 2020 there were no competing priorities for the teams carrying out checks.

It will be helpful to explore the efficiency of the second stage due diligence by analysing the number of applications removed during first and second stage due diligence and the cost of these steps.

Contracting process

The contracting process involved the production of the grant offer letter. The amount of funding is approved by the funding panel, however is subject to change following second stage due diligence checks. It is not uncommon for the grant offer letter to state lower overall cost. There were no changes in the contracting processes compared to COVID Fast Start 2020.

Points for Consideration: Some concerns relating to mistakes in the amount of funding offered in the grant offer letter were raised in the scoping interviews. The evaluation will need to look at the accuracy of the contracting process. Further concerns were raised about the length of time between 'applications received' and 'grant offer letter', as there is a risk that companies working in innovation might have different priorities by the time the grant offer letter is issued. The evaluation will need to analyse why the Fast Start: Innovation funding process took longer compared to COVID Fast Start 2020.

Monitoring and performance management

Monitoring arrangements are put in place to keep track of individual projects and identify which projects are succeeding and which are failing. They have the objective of ensuring projects are on track to deliver their intended outputs and results and identify and implement corrective actions where this is not the case, as well as providing on-going risk assessment and management support. The monitoring of live projects and portfolio management is managed by Innovate UK but performed by externally contracted MSPs. A basic level monitoring, which included review of papers but no meetings, was used for COVID Fast Start 2020.

The Fast Start: Innovation project selection processes were changed to achieve the following objectives:

- The monitoring level was increased to Silver-level monitoring for Fast Start: Innovation to include meetings (total of three days of support per project) aiming to increase support and identifying issues at an earlier stage.
- The upfront payment was reduced from 100% (COVID Fast Start 2020) to 70% (Fast Start: Innovation) with the aim to reduce the time commitment required to recover funding not been used or claimed by applicants.

Points for Consideration: The evaluation will need to look at the cost and effectiveness of Silver-level monitoring in identifying projects that are succeeding and which are failing and the impact of corrective actions. The evaluation will review the impact of the reduction in upfront payment. Some concerns were raised in the scoping interviews that companies might choose to plan for 70% of the budget and deliver 70% of the project and not complete the final documentation to receive the remaining 30%. The evaluation will include discussions with MSPs to review if they observed companies planning for 70% of the project. The evaluation will analyse if the 70% approach reduced the number of funding recovery activities and the costs associated with the recovery.

Process Evaluation Framework

The general process evaluation questions to consider are set out in section 3.1. The Table 1 overleaf presents the process evaluation framework covering the specific research questions to analyse the effectiveness of the delivery of the overall Fast Start programme objectives. The process evaluation questions are mapped to a set of performance indicators. An indication of the relevant data sources for assessing each process is also provided. A description of the data sources is provided in section 3.2 below.

Process evaluation questions

This section sets out a range of wider issues that will need to be considered in the process evaluation:

- **Cost:** It will be important to establish estimates of the overall cost of the Fast Start: Innovation programme delivery compared to the COVID Fast Start 2020 programme and other BAU programmes.
- **Efficiency:** The evaluation will also focus on efficiency gains in the processes, for example by looking at allocation of staff resources, communication between teams and efficiency of marketing activities.
- **Timings:** For all processes it is important to understand whether the timings are both appropriate, realistic and in line with expectations of Innovate UK and the applicants.
- **Effectiveness:** Throughout, the process evaluation will need to identify the different ways in which the changes to the Fast Start: Innovation programme has taken opportunities to add value to the Fast Start programme and innovation funding offer to applicants.
- **Absence of processes:** The process evaluation will also need to consider how far there are processes absent that may hinder the achievement of the policy objectives and efficient delivery of the Fast Start programme.
- **Lessons learned:** The process evaluation will also seek to identify any broader lessons learned that may be helpful in supporting the design and delivery of Fast Start BAU and other future Innovate UK programmes.

Data sources

The following data sources are planned to inform the evaluation and contribute to answering the research questions:

- Desk research and analysis of Fast Start Management Information (MI)
- Interviews with Innovate UK staff involved in the design and delivery of Fast Start: Innovation, MSPs and assessors (21)

- Interviews with successful and unsuccessful applicants to the Fast Start 2022 programme (20)

The data collected will be compared to the COVID Fast Start 2020 programme and relevant BAU programmes, which could include the Creative Industries Fund and Smart fund.

Evaluation Framework Fast Start 2022

Table 1. Evaluation Framework (MI=management information MSP=Monitoring Service Provider IUK=Innovate UK)

| Process Objective | Research Question | KPIs / Performance Metrics | Desk research MI | Interviews stakeholders in delivery | Interviews applicants | |
|--------------------|--|--|---|-------------------------------------|-----------------------|---|
| Competition set-up | Deliver an efficient and effective competition set-up process | Is the competition scope clear and can the guidance documents be easily understood by potential applicants? | <ul style="list-style-type: none"> • Clarity of scope • Clarity of eligibility criteria • Views of applicants on guidance documents • Percentage of ineligible applications • Percentage of applications out of scope • Type of applicant questions received • Views from applicants on application form • Number of partially completed applications • Dedicated resources for competition set-up and portfolio • Views from staff on effectiveness of competition set-up and reasons for delays • Views on effectiveness of communications between teams • Impact of delivering Fast Start 2022 on other business as usual activities • Level of demand for Fast Start 2022 • Number of companies previously unaware of IUK • Number of companies applying who are new to IUK • Channels through which applicants found out about Fast Start • IUK brand awareness levels • Number and perceived quality of communication activities • Applicant and stakeholder views on the relevance and effectiveness of marketing and communications activity | ✓ | ✓ | ✓ |
| | Develop a shortened application form which is easy to navigate and understand by potential applicants | Is the application process straight forward? Do the questions in the application form provide enough opportunity to explain the project? | ✓ | | ✓ | |
| | Change the Fast Start competition scope to focus on Net Zero and Self Driven Health innovations and encouraging projects to consider 7 tech areas of innovations that will be affordable, adoptable and investable | Was the Fast Start programme resourcing effective to deliver the competition set-up and manage the portfolio? | ✓ | ✓ | | |
| | Only companies new to Innovate UK could apply for funding to increase IUK brand awareness and reach | How effective were marketing and communications campaign and ministerial announcement in raising awareness of Fast Start 2022 programme among new audiences? | ✓ | ✓ | ✓ | |
| | | | | | | |

| Process Objective | Research Question | KPIs / Performance Metrics | Desk research MI | Interviews stakeholders in delivery | Interviews applicants | |
|--------------------|---|--|--|---|--------------------------|---|
| Assessment process | Provide an independent judgement of the technical, commercial, and economic merits of the application | To what extent did the application form support a comprehensive assessment of technical, economic and social implications of applications, including levels of expected additionality? | <ul style="list-style-type: none"> Views from assessors and MSPs on completeness of information provided by applicants Measures of quality of applications (Average and spread of scores) Assessors' views on whether time taken to complete assessments was acceptable and proportionate to competition | ✓ | ✓ | |
| | Additional first stage due diligence, completed by an external company, was introduced to remove applications before external assessment | Was first stage due diligence effective? | <ul style="list-style-type: none"> Resource required for first stage due diligence Number of applications removed during first stage due diligence Reasons for rejection of applications at first stage due diligence | ✓ | ✓ | |
| | Reduction of the number of external assessors from three to one, to reduce costs and make better use of the expertise of the assessors. Assessors are matched to their specific area of expertise | Is the single assessor approach considered to be effective and sufficiently consistent? | <ul style="list-style-type: none"> Length of time required for allocation of assessors Number of assessors involved Number of applications per assessor Cost of assessments Distribution of assessment scores Robustness of assessments Number of applications above quality threshold by assessor Number of complaints received Reasons for complaints | ✓ | ✓ | |
| | | Is the assignment of independent assessors to projects effective and efficient? Was enough time provided to complete the assessment process effectively? | <ul style="list-style-type: none"> Assessor acceptance of invitations Time required for assessments Review of assessors' profiles Level of expertise of assessor in relation to application Fast Start team views on the ability of assessors to provide an accurate judgement of project merit | ✓ | ✓ | |
| | Allocation of funding to high quality projects from | Was the project selection process effective? | <ul style="list-style-type: none"> Length of time between external assessment and completion of second stage due diligence | ✓ | | ✓ |
| Project selection | | | | | | |

| Process Objective | Research Question | KPIs / Performance Metrics | Desk research MI | Interviews stakeholders in delivery | Interviews applicants |
|---|---|--|------------------|-------------------------------------|-----------------------|
| companies new to Innovate UK | Did the funding allocation cover the full scope of the Fast Start 2022 programme? | <ul style="list-style-type: none"> Views from applicants on selection process Allocation of funding by priority/technology area Recording of information at Funders Panel meeting Applicant comprehension of funding allocation processes and views on the equity of processes | ✓ | ✓ | |
| Second stage due diligence aimed to look at company viability and in addition check if applicants were new to Innovate UK and had not previously applied under a different company name | Is funding allocated fairly and transparently? | | ✓ | ✓ | ✓ |
| | Was second stage due diligence completed efficiently and in an appropriate amount of time? Did the extra question 7 (companies finance information) in the application form improve the speed of financial viability checks? Should question 7 be part of the application form or later checks? | <ul style="list-style-type: none"> Length of time of second stage due diligence project finance team Length of time second stage due diligence Fast Start team 'new to Innovate UK' checks Cost of second stage due diligence | ✓ | ✓ | ✓ |
| | Did second stage due diligence effectively identify projects with unacceptable levels of financial project delivery risks? | <ul style="list-style-type: none"> Number of applications removed during second stage due diligence due to financial concerns Value of ineligible costs Reasons for rejection of applications at second stage due diligence due to financial issues | ✓ | ✓ | |
| | Did second stage due diligence identify applicants who had applied to Innovate UK previously or any new/daughter companies set up to be eligible for funding? | <ul style="list-style-type: none"> Number of applications removed during second stage due diligence due to not being 'new to Innovate UK' Reasons for rejection of applications at second stage due diligence relating to 'new to IUK' | ✓ | ✓ | |
| Contracting processes | Are funding award processes used in Fast Start 2022 effective and completed in a timely manner? | <ul style="list-style-type: none"> Time elapsed between competition closure and grant offer letter | ✓ | | ✓ |

| Process Objective | Research Question | KPIs / Performance Metrics | Desk research MI | Interviews stakeholders in delivery | Interviews applicants |
|---|---|--|---------------------|---|--------------------------|
| not viable or companies who will try to claim project costs which are not eligible for funding | Was the offered funding in the grant offer letter as agreed at the Funding Panel? | <ul style="list-style-type: none"> Views from applicants on contracting process Number of grant offer letters with differences between the total agreed and offered funding amount Number of grant offer letters with differences between the 70% upfront payment amount and calculated amount | ✓ | | |
| | Did the contracting process enable all applicants to begin project delivery at the times specified in their applications? | <ul style="list-style-type: none"> Start date in project plan Actual start date | ✓ | | |
| | Did dedicated Fast Start resource have a positive impact on the management of the programme? | <ul style="list-style-type: none"> Views of staff on programme management | | ✓ | ✓ |
| Ensuring projects are on track to deliver their intended outputs and results and identify and implement corrective actions where this is not the case, as well as providing on-going risk assessment and management support | Was the 70% upfront payment effective and made in a timely manner? Is 30% retention an effective incentive to encourage project completion? | <ul style="list-style-type: none"> Length of time between contract letter and receiving 70% upfront payment Views from applicants on 70% upfront payment – enablers and barriers Views from MSPs on 70% upfront payment Number of projects investigated for fraud Underspent Fast Start 2022 Number of projects not submitting their final 30% claim Number of claim queries Number of projects which failed/succeeded | ✓ | ✓ | ✓ |
| | Are MSPs appointed to silver level monitoring of projects sufficiently able to provide support, assess project performance and risks in the three days allocated to each project? | <ul style="list-style-type: none"> Views on the ability of MSPs to address issues arising relating to the delivery of projects Number of MSPs available Cost of Silver level monitoring Value for money | ✓ | ✓ | ✓ |
| | | | | | |
| The monitoring level was increased to Silver-level monitoring for Fast Start 2022 to include meetings (total of three days of support per project) aiming to | | | | | |

| Process Objective | Research Question | KPIs / Performance Metrics | Desk research MI | Interviews stakeholders in delivery | Interviews applicants |
|--|---|---|--|--|--------------------------|
| <p>increase support and identifying issues at an earlier stage</p> <p>The upfront payment was reduced from 100% (Fast Start Covid 19) to 70% (Fast Start 2022) with the aim to reduce the time commitment required to recover funding which had not been used or claimed by applicants</p> | <p>Does the monitoring process accurately highlight project progress (or failure), covering technical progress and realisation of milestones?</p> <p>Does the monitoring completed permit the identification and introduction of risks and corrective actions in a timely manner?</p> <p>What was the impact of 70% upfront payment on recovery payments?</p> | <ul style="list-style-type: none"> • Views on the effectiveness and relevance of monitoring • Views on the quality and accuracy of monitoring reports • Number of escalations of RAG status • Number of projects with decreasing RAG status (Red>Amber, Amber>Green) following identification of corrective actions • Number of Project Change requests • Timescales for approval of contract variations and change requests • Number of recovery payments completed • Number of recovery payments outstanding • Value of recovery payments • Costs of making recovery payments | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ |

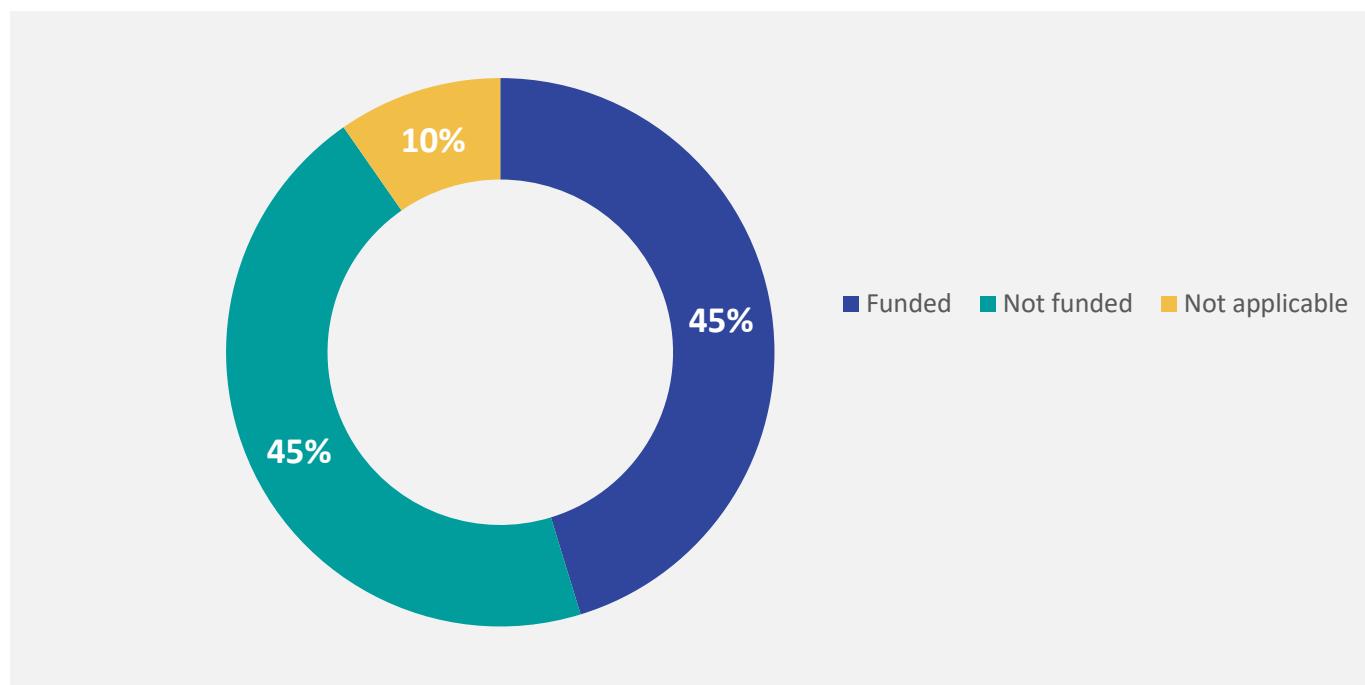
Appendix 2: Management Information Analysis

This note presents a high-level overview of the management information (MI) analysis conducted for the Process Evaluation of the Fast Start: Innovation programme. The findings from the MI analysis will help to shape the areas of discussion during the consultation stage of the evaluation, motivating the discussion with stakeholders and applicants.

Overview of projects that were funded and not funded

In total there were 1498 applications submitted. Of the applications submitted 45% (678) were funded and 45% were not funded (675), while 10% (145) were not eligible for funding (Figure 7.1). The consultations will seek to explore how the demand for Fast Start: Innovation aligned with expectations.

Figure 7.1: Funding decision



Base: All respondents (n=1498)

Of the projects that were ineligible, the median project costs were £48,835.00. Of the ineligible applicants, 20% (17) were deemed ineligible due to project costs falling outside of the £25,000 to £50,000 range; where 12% of ineligible applicants exceeded this range, and 8% (11) of ineligible applicants fell below the range. 31% (45) of ineligible applicants were deemed ineligible as they had previously applied for funding. This may suggest that the communications between Innovate UK and the applicants was not clear; this will be an area that will be further explored as part of the consultations.

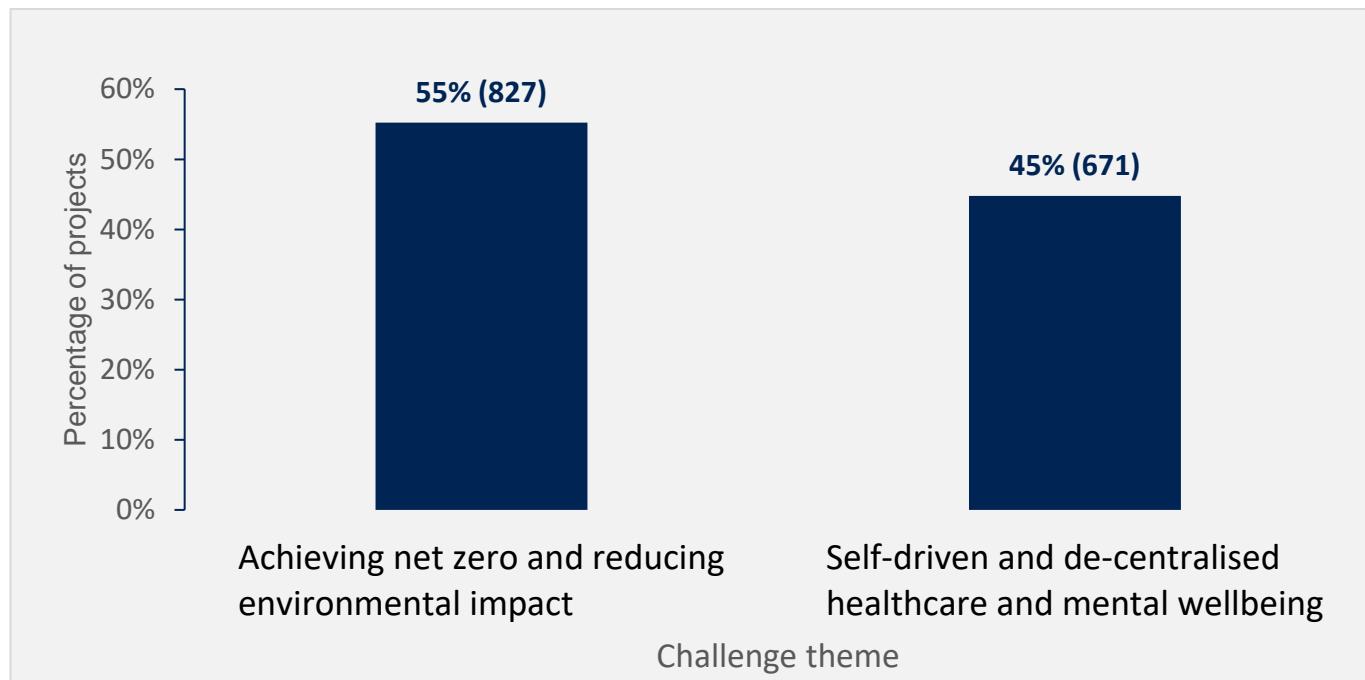
Challenge theme break down

Submitted projects by challenge theme

Of the 1498 applications that were received, 55% were submitted were under the 'Achieving net zero and reducing environmental impact' challenge theme. In comparison, 45% of the project applications

submitted were under the 'Self-driven and de-centralised healthcare and mental wellbeing' challenge theme (Figure 7.2).

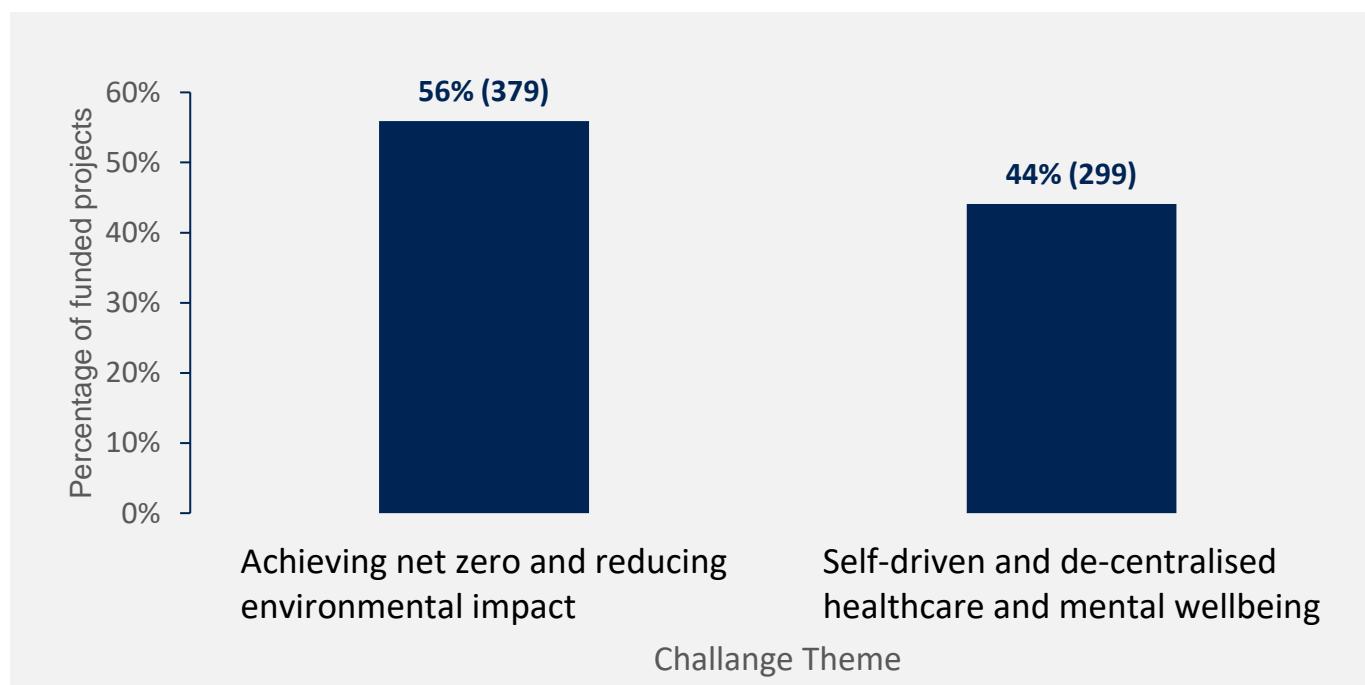
Figure 7.2: Submitted projects by challenge theme



Base: All respondents (n=1498)

From the pool of successful applicants, 56% of successful applicants were from the 'Achieving net zero and reducing environmental impact' challenge theme, and 44% were from the 'Self-driven and de-centralised healthcare and mental wellbeing' challenge theme (Figure 7.3). This is broadly in-line with the proportion of applications submitted by challenge theme, and represents a good spread across challenge areas.

Figure 7.3: Successfully funded applications by Challenge theme



Base: Funded applications (678)

Innovation area

Table 7.1 shows the most popular challenge areas within themes among all the applications submitted, presenting a diverse array of themes among the applicants. Among the most popular were personalised health (171); Mental health (149); and self-care (141).

Table 7.1: Innovation area within theme

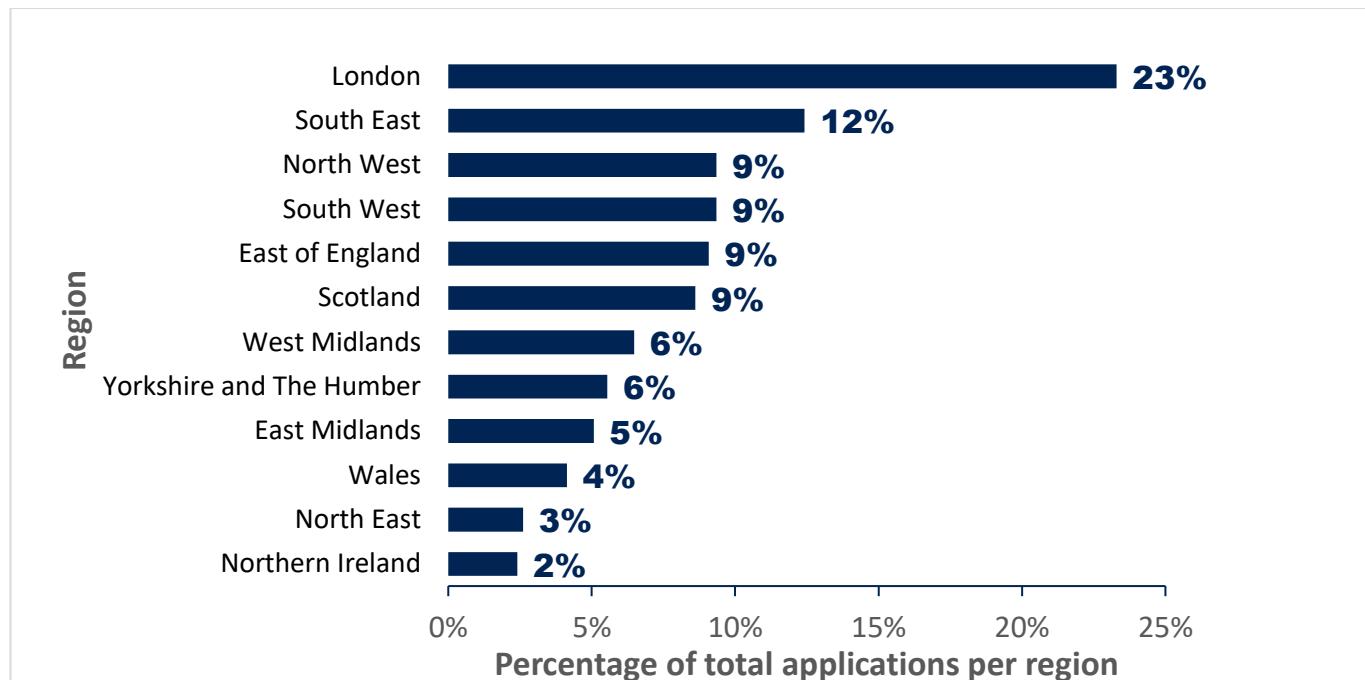
| Innovation area within theme | Frequency |
|-------------------------------|-----------|
| Personalised health | 171 |
| Mental health | 147 |
| Self-care | 141 |
| Supply Chains for Net Zero | 135 |
| Energy efficiency | 126 |
| Circular economy | 125 |
| Manufacturing for net zero | 125 |
| Transport optimisation | 79 |
| New healthcare business model | 75 |
| Energy generation | 63 |

Base: All respondents (n=1498), Top 10 Innovation Areas

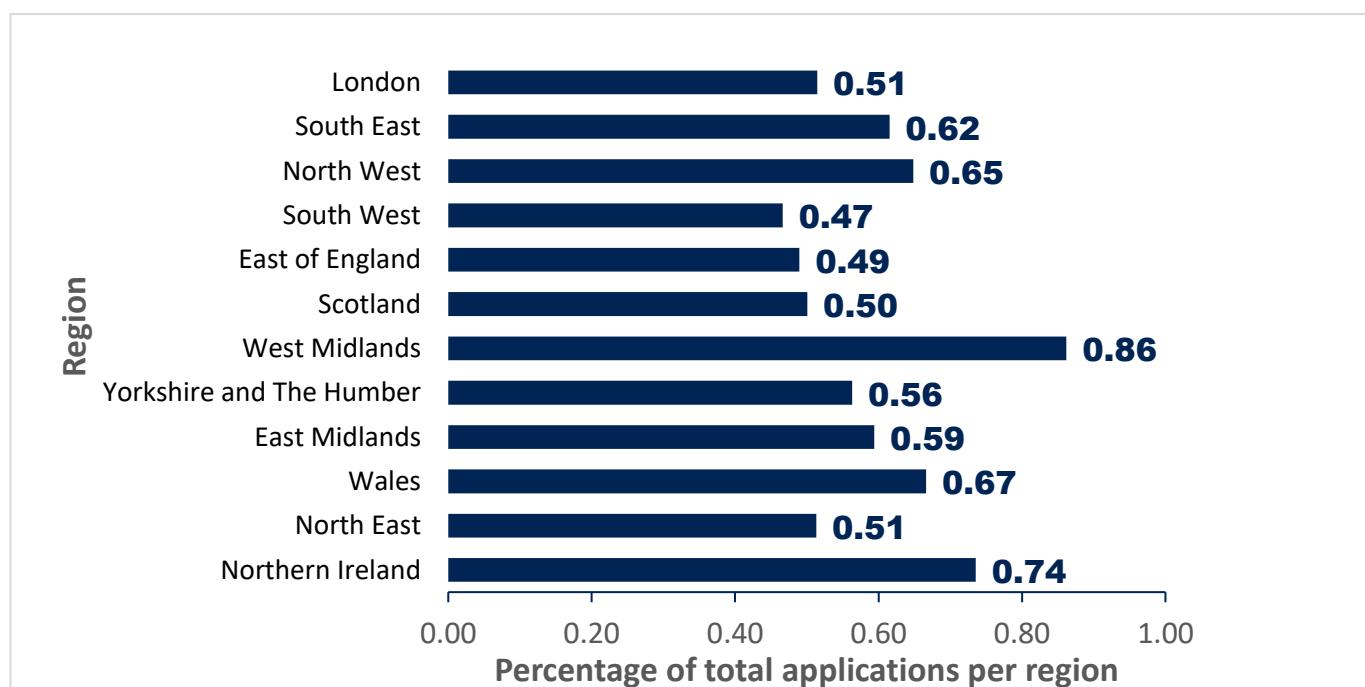
Profile of applications

Region

Figure 7.4 shows the regional distribution of the submitted applications. Of the 1498 submissions, London and the South East (23% and 12% respectively) accounted for the roughly one-third of submitted applications. In contrast, less applications were submitted in the East Midlands (5%), Wales (5%), the North East (3%), and Northern Ireland (2%).

Figure 7.4: Regional profile of submitted applications

Base: All respondents (n=1498). Not applicable=2% not shown in chart. Note chart may not sum due to rounding.
Postcode based on details submitted at application stage.

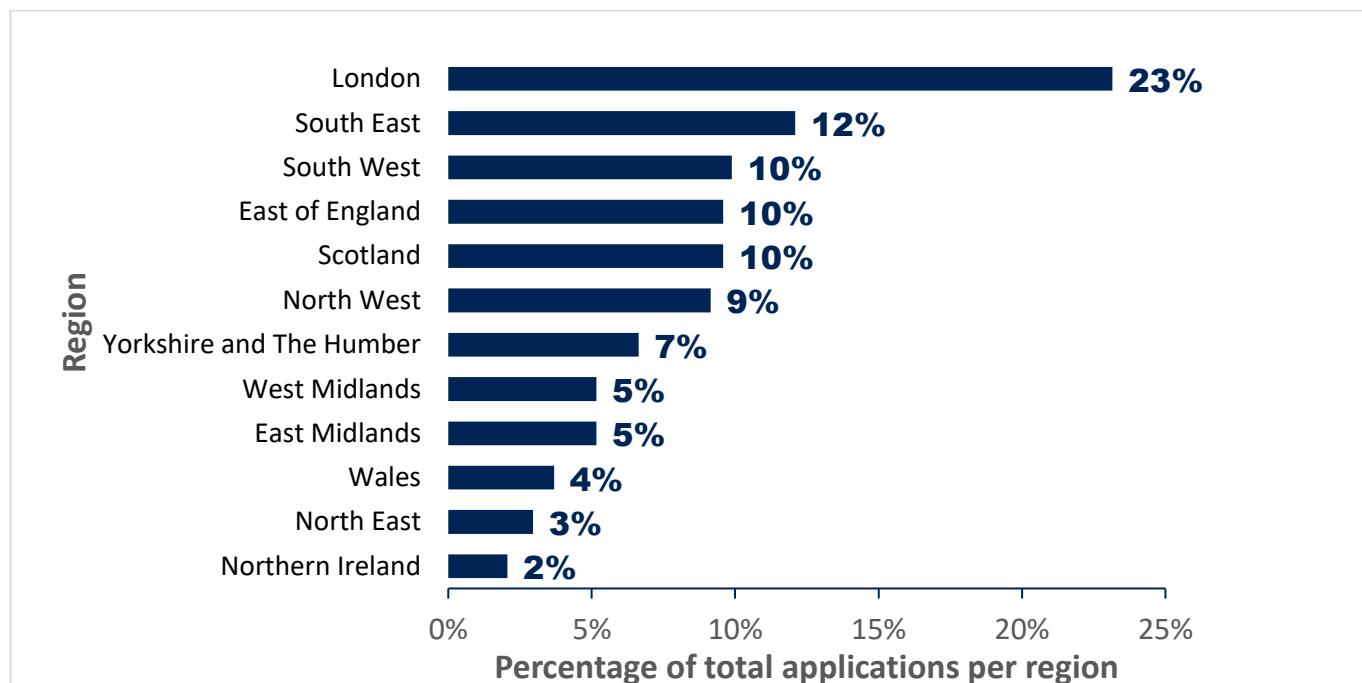
Figure 7.5: Applicants per 1,000 micro businesses

Source: Innovate UK Application data and ONS UK Business: activity, size and location data.
Micro businesses defined as those with 0-9 employees.

Figure 7.5 explores the business intensity, presenting the number of applicants to the Fast Start: Innovation competition per 1,000 micro businesses that exist in the region.¹⁶ Figure 7.5 indicates that the West Midland and Northern Ireland respectively exhibited the largest proportion of applicants given their respective population of micro businesses.

Of the submitted applications that received funding (678), roughly one third of successful applicants were from London and the South East (23% and 12% respectively) (Figure 7.6). The distribution of funding across the different regions of the UK closely matches the distribution of submitted applications, suggesting a proportionate spread of funding across the UK.

Figure 7.6: Percentage of applications that received funding by region



Base: Funded applications (n=678). Not applicable=1% not shown in chart

Cost of successful and unsuccessful applications

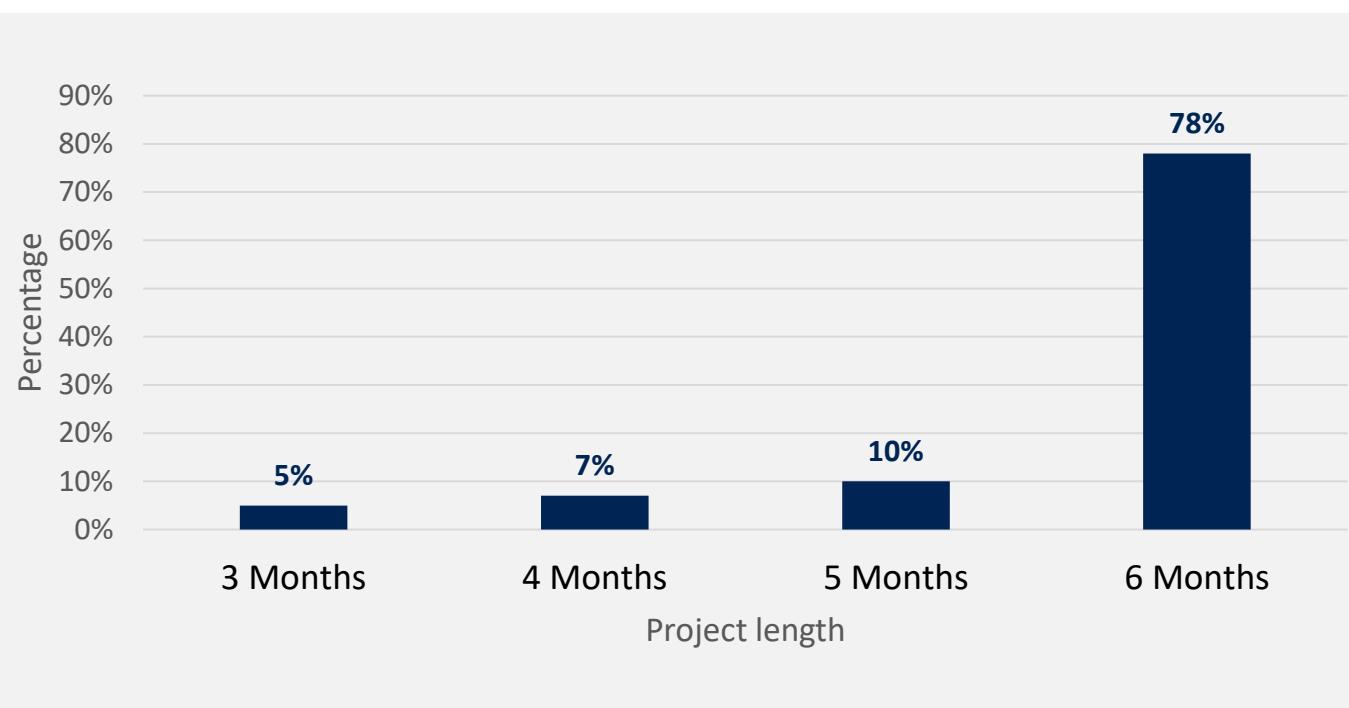
The median project cost of successful applications was £49,255.50, while the median cost of unsuccessful applications was similar (£49,073.50)¹⁷, across all project lengths.

Successful projects by project duration

Almost 8 in 10 (78%) successfully funded projects had a duration of 6 months. It can be inferred that projects were less likely to receive funding if the project length was less than 6 months.

¹⁶ For the purposes of this analysis, micro business is defined as a business with between 0 and 9 employees.

¹⁷ The median was used here as large outlier values were skewing the mean

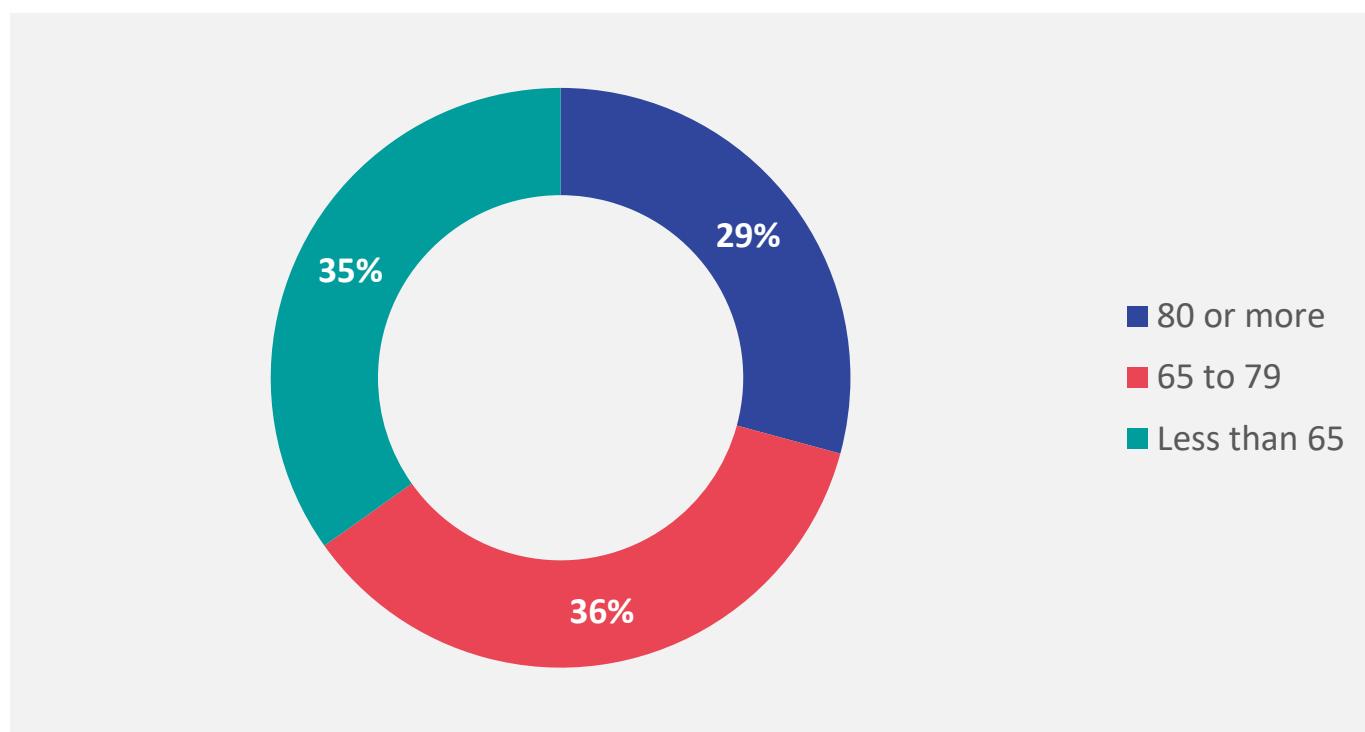
Figure 7.7: Percentage of applications that received funded by duration

Base: All respondents (n=1498)

Total scores

Total score

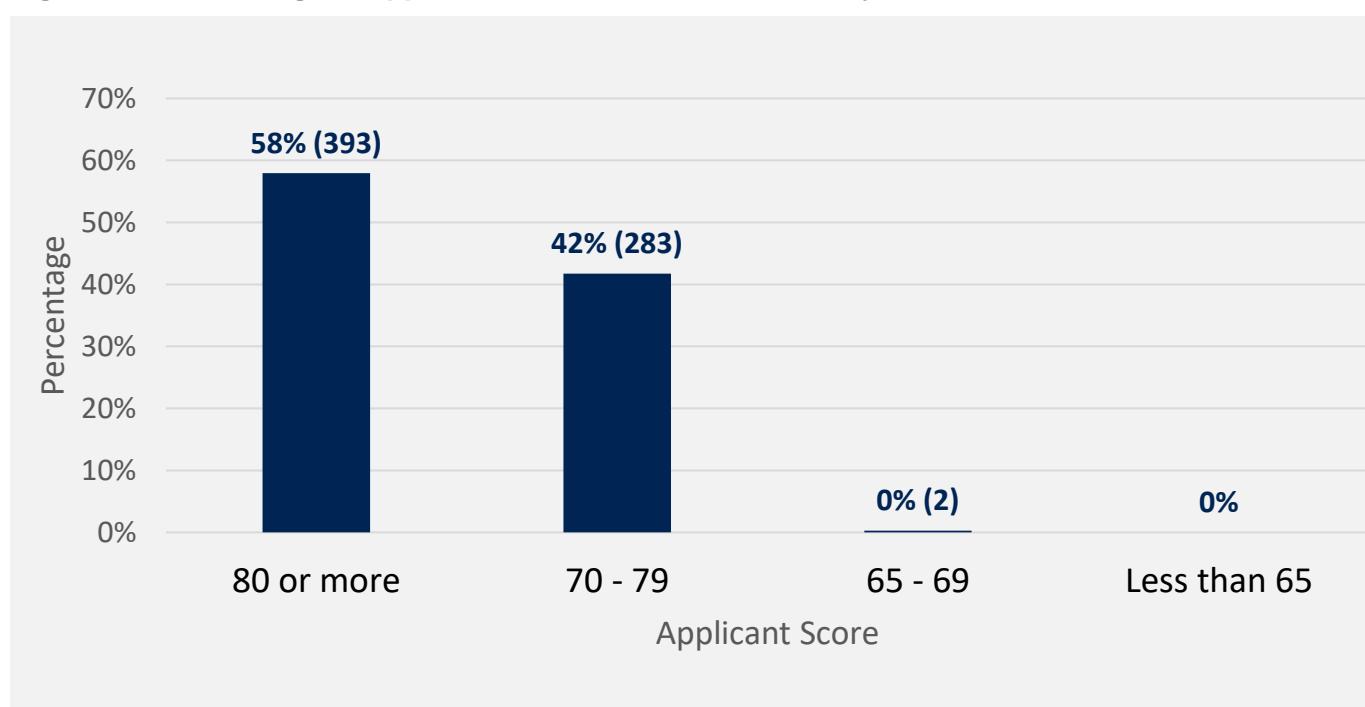
To determine if projects were awarded funding, they were given a score by assessors of between 0 and 100. Applicants were considered to be of sufficient quality if they exceed a score of 65, however exceeding the quality line did not guarantee funding. Of the total applications received, 35% failed to meet the desired level of quality, and 65% of applications exceeded the desired level of quality. The consultations were used to explore the extent to which the distribution of scores aligned with expectations of the Fast Start: Innovation team.

Figure 7.8: Total score breakdown for submitted applications

Base: All eligible, and therefore assessed respondents (n=1352)

Percentage of applications that received funding

Whilst applications were deemed of a sufficient quality if they scored above 65, Figure 7.8 shows that the majority of applicants scoring above 70 received funding, with only two applicants who scored between 65 and 69 receiving funding (out of the 164 applicants scoring between 65 and 69). Of the applications that received funding, 58% of applications that received a score of 80 or more received funding. The consultations will seek to identify the extent to which the quality of the applications aligned with the expectations of the Fast Start: Innovation team, and the rationale for lowering the quality line.

Figure 7.9: Percentage of applications that received funded by total scores

Base: Funded applications (n=678). 65 – 69 reported as 0% due to rounding, two applications scoring between 65 and 69 received funding.

Private capital funding

Applicants to the Fast Start competition have been involved in 355 deals^{18,19} total (across 188 companies, 102 (15%) successful and 86 (10%) unsuccessful), 282 of deals with a known date occurred prior to applying to the Fast Start Competition²⁰, with deals ranging from £150k to £15m but most of them being under £2.5m.

Table 7.2: Number and value of deals before Innovate UK Fast Start Innovation

| Application status | No. of Deals | Value of deals |
|-------------------------------|--------------|----------------|
| Successful | 154 | £132m |
| Not applicable – unsuccessful | 48 | £42.6m |
| Unsuccessful | 80 | £22.3m |
| Total | 282 | £196.9m |

Table 7.3: Size of deals before Innovate UK Fast Start Innovation

| | Deal Size |
|--------------|------------|
| - | 82 |
| £0-249k | 104 |
| £250k-499k | 30 |
| £500k-2.49m | 53 |
| £2.5m-4.9m | 8 |
| £5m-14.9m | 1 |
| £15m+ | 4 |
| Total | 282 |

Following the application decision, some businesses have gone on to secure additional funding, 12 successful applicants securing funding (approx. £9.7m), However, 9 of these businesses had already received funding with only three recording this as their first deal. The nature of the deals was mainly to support early-stage businesses which aligns with the type of companies that were eligible to apply to this competition.

¹⁸ Data extracted 20th March 2023

¹⁹ Deals included: Accelerator/Incubator, Angel (individual), Early Stage VC, Equity Crowdfunding, IPO, Later Stage VC, Merger/Acquisition, Product Crowdfunding, Seed Round, Spin-Off

²⁰ 49 recorded deals do not have a valid date, therefore it is not possible to say if these occurred before or after the FS competition.

Similarly, 11 unsuccessful applicants²¹ securing funding, both groups mainly receiving funding focussed on early-stage investment.

Table 7.4: Deal types after Innovate UK Fast Start Innovation

| | Accelerator/ Incubator | Early Stage VC | Later Stage VC | Merger/ Acquisition | Seed Round |
|--|---------------------------|-------------------|-------------------|------------------------|------------|
| Successful | 4 | 3 | 1 | 1 | 4 |
| Not applicable - unsuccessful | | 1 | | | |
| Unsuccessful | 4 | 4 | 1 | 1 | |
| Total | 8 | 8 | 2 | 2 | 4 |

Figures in the table are based on data from 20th March 2023.

The low level of deals across the portfolio indicates that these are indeed early stage smaller companies which coincides with the intended audience and target businesses that may be less familiar with the innovation funding landscape mainly due to the early stage nature of these businesses.

At this early stage it is also possible to see that the Fast Start competition may have catalysed some further investment unlocked investment which was attached to the company securing the grant, but in the few cases we have seen these companies have had previous experience in raising funds from private sources.

²¹ It is not possible to determine the value received by unsuccessful applicants given that details are not available and we only know that there has been a transaction.

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