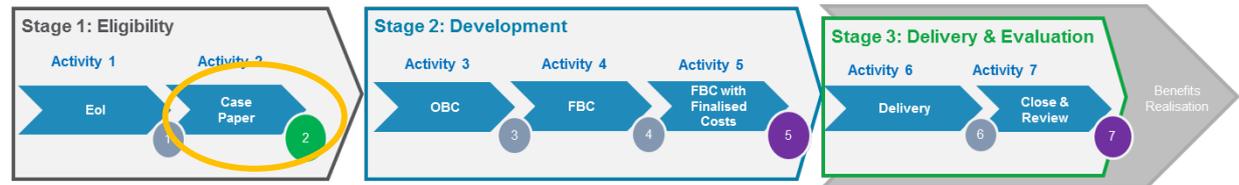


## Scheme Summary

<b>Name of Scheme:</b>	<b>Investment Readiness Project</b>
<b>PMO Scheme Code:</b>	WYCA-EU-004
<b>Lead Organisation:</b>	West Yorkshire Combined Authority
<b>Senior Responsible Officer:</b>	Henry Rigg
<b>Lead Promoter Contact:</b>	Head of Business Support
<b>Case Officer:</b>	Sarah Thacker
<b>Applicable Funding Stream(s) – Grant or Loan:</b>	ESIF Funding £714,500 Business Rates Pool £714,500
<b>Growth Fund Priority Area (if applicable):</b>	Priority Area 1
<b>Approvals to date</b>	ESIF funding £714,500 approved 18/10/2018 BRP funding £714,500 approved 12/09/2018
<b>Forecasted Full Approval Date (Decision Point 5):</b>	Dec 2018/Jan 2019 – TBC depending on outcome of DP2 approval
<b>Forecasted Completion Date (Decision Point 6):</b>	December 2021
<b>Total Scheme Cost (£):</b>	£1.429 million
<b>Combined Authority Funding (£):</b>	£1.429 million
<b>Total other public sector investment (£):</b>	
<b>Total other private sector investment (£):</b>	
<b>Is this a standalone Project?</b>	Yes
<b>Is this a Programme?</b>	No
<b>Is this Project part of an agreed Programme?</b>	No

## Current Assurance Process Activity:



## Scheme Description:

The Investment Readiness project will support at least 300 small and medium-sized enterprises (SMEs) across the City Region to grow, become productive and provide better quality jobs by supporting them to attract the right amount and type of external investment. It will also directly create at least 50 jobs in the SMEs supported, and facilitate significantly more employment creation indirectly by enabling firms to attract investment and then grow as a result. It is estimated that this could create up to an additional 1,000 new jobs further down the line.

**This clear focus on directly supporting business growth will contribute to generating increased business rates receipts for Local Authorities over the coming years.**

The project closely aligns to local strategic priorities as set out within the Strategic Economic Plan and ESIF Strategy, as well as the Business Rates Pool Prospectus, by helping SMEs to access the full range of finance, innovation and digital support options available to them, in order to create good quality employment and business growth opportunities within the City Region. Furthermore, the project will create growth and employment that enables businesses to start-up, scale-up, innovate, access finance for investment and enter new markets.

### 1.1 Introduction

The project will support the growth of SMEs across Leeds City Region by providing them with an impartial and confidential advice service on how to prepare for, and access, the full range of finance options available to them. This will include finance products and services delivered by the private and public sectors, including the LEP's grants and loans, the Northern Powerhouse Investment Fund, Start-Up Loans, R&D Tax Credits, Innovate UK, mainstream commercial finance and new technology-led options, such as crowdfunding, factoring and bitcoin.

It will meet a clear gap in the market in Leeds City Region for a responsive and bespoke support service that can help businesses increase their productivity, and benefit their local economies, by accessing the external finance required to realise their growth plans, in the process creating good quality jobs. It will focus on the importance of producing detailed and compelling investment propositions and business plans, and on maintaining tight controls on the financial management of businesses, something that can often be the deciding factor for an investor.

### 1.2 Match-funding

A Full Business Case for the project has been approved under the European Regional Development Fund (ERDF) for £714,500 over three years. . A successful application to the Leeds City Region Business Rates Pool (BRP) has provided the required 50% match-funding to support delivery of the £1.429 million project for the City Region. The two funding sources will allow the project to progress without the need for any additional funding from the CA or any match-funding from the businesses accessing the support.

### 1.3 Aim and objectives of the project

The project's primary aim is to contribute to the creation of business growth opportunities in the Leeds City Region, and particularly within the key sectors of the current Strategic Economic Plan.

The specific objectives of the project are to:-

1. Drive-up business productivity through increased investment by businesses in the City Region
2. Improve the financial and business planning capabilities of businesses in the City Region.
3. Better prepare businesses with growth potential to access the finance they require.
4. Improve the knowledge and understanding of different finance options and finance products amongst the Leeds City Region business base.
5. Enhance the ability of businesses to develop and present compelling investment propositions and, as a consequence, to improve their strategic business planning.
6. Increase levels of external finance going into businesses in the City Region.
7. Provide business-owners and managers with a confidential support service on all matters related to access to finance.
8. Improve the working relationship between businesses and providers of business finance.

#### **1.4 What the project will do**

There are four inter-connected elements to the project as set out below. Businesses will be able to access some or all of the support available, with those demonstrating most growth potential being provided with the more intensive one-to-one advice

1. Business Diagnostic (undertaken via telephone, online or face-to-face at one of the LEP's Business Advice Pop-Up events), leading to an Investment Action Plan tailored to the needs of the business. This will explore in detail the investment readiness stage of the business and its future requirements related to preparing for, and/or, directly accessing finance. The information and next steps will be captured within the Investment Action Plan, which may also include other current products available to businesses in the City Region, such as Finpoint, LEP Capital Grants, Ad:Venture, Digital Enterprise, Access Innovation, Resource Efficiency Fund, NPIF, Innovate UK etc.
2. Investment Coaching - one-to-one expert support for SMEs with the most growth potential, focussed on attracting and managing external finance to drive-up productivity and create good quality jobs (circa three hours per session).
3. Investment Best Practice - series of expert sessions covering key investment readiness topics (six workshops each lasting two to three hours, and each delivered in a group setting with an important element of peer support and learning). Complemented by more specialist two-hour masterclasses delivered by business funders as an in-kind contribution to the project.
4. Information & Advice Service - for more straightforward, transactional queries on access to finance i.e. products available and headline options for businesses. Calls to this line will be limited to 30 minutes and support will be accessed via the LEP Growth Service Gateway.

## Business Case Summary:

### Strategic Case

The project will deliver against several work areas and has clear alignment with Priority 1, 'Growing Businesses,' of the Leeds City Region Strategic Economic Plan (2016 - 2036), of which access to finance is a key strand. In doing so, it will have an overall focus of boosting business productivity in the City Region, which is a key objective of the Combined Authority, through increased investment in new technology, workforce development and strategic business planning.

The strategic case for interventions related to access to finance and improved investment readiness is clearly set out within Annex 3 of the Leeds City Region Business Rates Pool Prospectus. It highlights that 'many businesses are not aware of the different products available in the marketplace, and often believe that if their bank turns them down for funding, other options are not worth pursuing'. It goes on to state that 'SMEs often fail to present the strengths and 'investability' of their growth plans in a manner that appeals to investors.' The proposed project will directly address these issues by delivering a package of support that can provide 'businesses with the required advice and skills on making compelling and innovative proposals for investment and preparing businesses to draw down external finance.'

The following interventions set out within the prospectus will be directly addressed by the project:

- One-to-many workshops to be delivered across the City Region covering the different categories of funding available to SMEs. More detailed one-to-one advice surgeries for SMEs to prepare for, and access, external finance.
- Workshops focussed on individual funds and/or funding opportunities, at which specific providers are invited to present to SMEs e.g. NPIF, Innovate UK, R&D Tax Credits.
- Continued close working with the private sector intermediary network in the City Region (e.g. banks, other funders, accountants, legal advisers etc.)
- Providing all businesses in the City Region with access to the full range of publicly-funded support available to support growth.

The project will be delivered across the whole of Leeds City Region, including within spatial priority areas and Enterprise Zones. It will support businesses of all sizes with a focus on the current priority sectors for the City Region.

The project will directly deliver the following outputs and outcomes:

Outputs – Enterprises receiving support, Enterprises receiving non-financial support.

Outcomes – Increased awareness and take-up of support available across the City Region, Increase in SME productivity, investment, turnover and jobs created, Increase in business inward investment, A more buoyant and joined-up marketplace for SME finance in the City Region, Higher levels of private investment into SME growth.

### Evidence of need

The 2017 Leeds City Region Business Survey included interviews with 2,368 businesses, 96% of which had less than 50 staff and 99% less than 250 staff. Access to finance was a specific section within the survey and provided the following headline results which clearly demonstrate the need for the project:

- Access to finance was cited by most respondents as their main barrier to growth, with 1 in 8 specifically citing it as inhibiting their growth.
- The second most commonly cited barrier to growth was cash flow, which is clearly related to access to finance and is an issue to be addressed by the project.
- Similarly, 47% of respondents stated that they did not currently have a written business plan, which is also something to be addressed by the project.
- 15% of respondents had applied for finance in the previous 12 months, with one fifth of these being declined.
- Investment for innovation/R&D was the only area of finance to see an increase in demand compared to the previous survey in 2015. Again, the full range of incentives related to R&D investment will be covered within the project.
- On the wider topic of where businesses go for business support/advice, banks and accountants was lower in 2017 than in 2015, but the LEP was higher. This would suggest that the profile of the LEP and its offer to SMEs has increased over the past two years, meaning it is well-placed to deliver a new project in the SME marketplace such as the one proposed here.

**Evidence of demand**

Between April 2015 and March 2018, there were 1,792 enquiries from businesses looking for external finance to support their growth plans, which represents 67% of all enquiries to the service. As the table below shows, there has also been an ongoing increase in the number of access to finance enquiries since 2015, which demonstrates the need for a bespoke service catering for the subject.

**Access to Finance Enquires to LEP Growth Service**

2015/16	92
2016/17	735
2017/18	965
Total Access to Finance Enquiries	1792
Total Enquiries	2661

The activities will be delivered from different geographic locations ensuring full coverage across Leeds City Region (except Barnsley), thereby

**Commercial  
Case**

ensuring that SMEs that need to access support can engage at a localised level. This will be particularly the case with the workshop programme that will need to equitably reach the diverse SME population of the City Region

in much the same way as the LEP's/CA's successful Business Advice Pop-Up Cafes Programme. To date, the team have delivered successful events at over 20 different locations, including ones that might be considered as being in the more outlying areas of the City Region, such as Todmorden, Steeton, Cleckheaton and Otley, and those in the more disadvantages areas, such as Beeston, Leeds and Manningham, Bradford. The events have all been successful in attracting SMEs and customer feedback has been consistently over 90% regarding satisfaction levels. This clear experience and expertise will be utilised to inform this project's delivery.

A contractor will be openly procured to deliver the diagnostic and investment action plan, workshops and one- to-one support to businesses. They will be managed by the project delivery team within the CA's Business Support Team to ensure documentation is collated correctly using standardised forms, and that performance stays on track throughout the project through monthly progress meetings.

The delivery partner will be sourced via a transparent procurement process, with a provider selected based on a robust set of criteria, including value for money, expertise and experience, capacity to deliver and added value/innovation. The Business Support Team would then manage the contract, quality assure the provision (including via regular customer satisfaction surveys and external impact evaluations) and support integration within the business support landscape.

The tender specification will clearly state the requirement to provide workshops at accessible locations across the City Region, and the more intensive one-to-one support will be expected to be delivered at a location of the SME's choice, typically their own business premises. It is yet to be determined how the more detailed diagnostic with the SMEs will be delivered as this will be a key component of the procured service.

**Economic Case**

The expected outcomes from the project will be an increased number of businesses in the City Region being able to secure the finance needed to achieve their scale-up plans, In turn, this will see an increased number of higher value jobs and a positive impact on the City Region's productivity rate.

The project will deliver good value for money in terms of cost per output for business support projects of this nature. The unit cost per business supported is £4,750, which is below similar existing ERDF-funded projects currently in delivery in the City Region (e.g. Ad:Venture, Strategic Business Growth, Access Innovation and Digital Enterprise), and the cost per business supported intensively (equating to at least 12 hours of support) is also relatively modest at £9,500. The evaluation of business support projects funded by the previous Regional Development Agency for the region (Yorkshire Forward) put average cost per intensive business assist at £20,000.

The following options have been considered to identify the preferred way forward:

<b>Options</b>	<b>Impact</b>	<b>Reason for rejection / selection</b>
1. Do nothing	SMEs in the City Region fail to secure the growth-related finance required to boost productivity.  Less investment in the Leeds City Region business marketplace, and lower take-up of growth funds, including NPIF.	There is a clear and evidenced gap in the market for impartial investment readiness support. There is also a current opportunity to secure the required funding via ERDF and Business Rates Pool funding.
2. Smaller project	Fewer SMEs in the City Region secure the growth-related finance required to boost productivity.	There is a current opportunity to secure funding to deliver an Investment Readiness project that could make a positive impact on the City Region. Therefore, the full £1.429 million should be utilised. .
3. Larger project through charging businesses to access the support.	More businesses in the City Region secure the growth-related finance	Reputational and moral issues related to charging businesses to access external finance i.e.

		<p>required to boost productivity.</p> <p>Businesses may not engage if there is a direct financial cost, and it could confuse the marketplace.</p>	<p>repayment of fees if no finance is secured.</p> <p>Including business financial contributions within an ERDF-funded project can be complicated and potentially disruptive if too few businesses participate.</p>
	<p>4. Current proposal/preferred way forward</p>	<p>Will deliver an impactful and in-demand additional growth-related product for businesses in the City Region.</p> <p>Will provide growing businesses with free and impartial advice on access to finance issues in a challenging economic environment.</p> <p>Will contribute to the ongoing maturity of the City Region's business finance landscape.</p>	<p>The opportunity now exists to deliver the project utilising two sources of compatible public funding, and without needing to charge businesses.</p> <p>The proposed project complements and adds value to the current Growth Service offer, and meets a clear and well-evidenced gap in the market for good quality, free and impartial investment readiness support.</p>
<b>Financial Case</b>	<p>The scheme will be funded from ESIF £714,500 and a public match from West Yorkshire Combined Authority via the Leeds City Region Business Rates Pool of £714,500.</p> <p>The Combined Authority will be the accountable body for each source of funding.</p>		
<b>Management Case</b>	<p>The Combined Authority's Business Support Team would be responsible for the overall management of the project. The delivery of support to businesses will then be put out to tender via an open and transparent procurement process, with a provider(s) selected based on a robust set of criteria, including value for money, expertise and experience, capacity to deliver and added value/innovation. The Business Support Team would then manage the contract, quality assure the provision (including via regular customer satisfaction surveys and external impact evaluations) and support integration within the business support landscape.</p> <p>Although the appointed provider will be responsible for the design and delivery of the workshop content as part of the procurement, it is expected that the following key areas will be covered:- producing a robust business plan, R&amp;D credits, managing cash-flow effectively, preparing for external investment, pitching skills and the different finance products on the market.</p>		

The workshop programme will advance the knowledge and skills of attendees and provide an important element of peer support and learning, something that many business owners and managers often state as important benefits to such projects. The workshops will be delivered in accessible locations across the City Region on a rolling basis.

For those businesses whose investment action plan clearly identifies growth potential and the associated need to raise external investment in the short-term, more detailed one-to-one support will be delivered by the appointed provider(s). This will include 'hands on' support in the preparation of key finance and planning documents, and on the development and delivery of verbal investment pitches. This support will usually be delivered at the premises of the business.

The package of support accessed by each business will vary across the four main areas of delivery as informed by the initial diagnostic of need. For example, one client may attend six workshops, or, two one-to-one sessions, or, a mixture. In addition to the workshops and one-to-one sessions, additional masterclasses will be delivered at no cost by private sector partners of the LEP and Combined Authority. These will cover more specific, technical areas, such as intellectual property, business plans and cash flow forecasts, asset finance and equity investment.

<b>Milestone</b>	<b>Target Date</b>
Full Application	August 2018
Sign Contracts	November 2018
Project Staff in Place	January 2019
Procurement of business support provider(s) complete	February 2019
DP5 following completion of procurement	February 2019
Award/sign contracts with appointed contractor	March 2019
Full Project launch i.e. delivery to SMEs commences	April 2019
Quarterly private sector masterclasses	July 2019 onwards
Mid-term summative assessment	November 2020
Final summative Assessment	October 2021
<b>Delivery partners:</b>	
Role / Organisation	Responsibility in project delivery
Project Manager & Project Assistant, Combined Authority	The Project Manager will be responsible for all operational elements of the project, including the procurement of the delivery partner(s) and managing the performance of the contract. They will also be responsible for managing the contact and working relationships with the project's funders and for appointing, and

		<p>managing the contract with, the appointed evaluators.</p> <p>The Project Assistant will be responsible for supporting the Project Manager in all operational and contractual elements of the project, with a particular focus on ensuring all relevant output-evidence and supporting documentation is gathered, maintained and recorded in line with funding requirements.</p>
	<p>Head of Business Support, Combined Authority</p>	<p>Overall responsibility for the delivery of the project and for reporting progress within the governance structures set out below. Also responsible for ensuring integration with the LEP Growth Service and the wider business support landscape.</p>
	<p>Procured Delivery Partner</p>	<p>Responsible for delivering the one-to-one and one-to-many elements of the project via an openly procured contract with the Combined Authority.</p>
<p><b>Governance arrangements</b></p> <p>The LEP and CA's Business, Innovation and Growth (BIG) Panel will be responsible for the governance and strategic direction of the project, with progress also reported to the main LEP Board and the Combined Authority, as well as to the BRP Committee. The LEP Growth Service already operates within this governance and scrutiny function.</p> <p>Additionally, a steering group will be established for the project to oversee operational delivery. The group will then report progress and risks to the Combined Authority's Economic Services Programme Performance Board, with any key delivery issues and risks reported onward to the Portfolio Management Group.</p>		