
Report to: Business, Innovation and Growth Panel

Date: 26 February 2019

Subject: **Review of Inclusive Growth for Business Grants**

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1 Purpose of this report

- 1.1 To consider the effectiveness of the new approach to securing inclusive growth commitments from applicants for business grants from the LEP's Business Growth Programme (BGP) and determine whether it should be continued.
- 1.2 To consider the recommendation from the Combined Authority's Overview and Scrutiny Committee that inclusive growth commitments be extended more widely to the grant elements of all business support programmes.

2 Information

Background

- 2.1 In early 2018, the Leeds City Region Enterprise Partnership (the LEP) Board and the Combined Authority agreed that work should begin on the development of a Policy Framework and Local Inclusive Industrial Strategy (LIIS) for Leeds City Region. The Policy Framework will be an agile, long-term strategic approach aimed at driving growth, boosting productivity and earning power, for a post-2030 economy. The Policy Framework will provide room for bold, long-term planning with a focus on tackling the key challenges the City Region faces:
 - Productivity gap is increasing;
 - Investment in innovation and research and development is very low;
 - Living standards have stalled; and
 - Stubborn deprivation persists.

- 2.2 Inclusive growth is embedded as an enabler of the Policy Framework and will act as a strategic driver for strategies aligned to the Policy Framework¹.
- 2.3 As initial discussions around the Policy Framework and the LIIS progressed, it was identified that an opportunity existed to promote inclusive growth through the delivery of business grant programmes. In the first instance, it was recommended that inclusive growth outcomes be introduced for BGP, to ask capital grant recipients to contribute more proportionately on a range of social value commitments, as well as incentivise payment of the Real Living Wage for jobs supported by the grant awards.
- 2.4 The BIG Panel considered a paper on the introduction of inclusive growth conditions for BGP recipients at its meeting on 7 March 2018. The revised criteria and associated conditions were then approved by the LEP Board at its meeting on 27 March 2018 and Combined Authority on 10 May 2018. The revised criteria were implemented for business applicants to BGP from July 2018. The criteria are outlined in **Appendix 2**.
- 2.5 The Combined Authority asked for a review to be undertaken after six months to assess the initial effectiveness of the approach, and to inform decisions as to whether to continue and/or expand the approach further.

Review of Initial Effectiveness

- 2.6 Prior to the introduction of the revised criteria, analysis of BGP grants awarded in the previous 12 months (June 2017 to June 2018) showed that **42% of the jobs created** (totalling 466) were paying below the Real Living Wage.
- 2.7 Since the introduction of the new criteria in July 2018, 47 BGP applications have been approved. These applications are linked to the creation of 172 new jobs, 140 of which are proposed to pay above the Real Living Wage. This represents **81% of all of the jobs to be created** via the investment projects to be supported on BGP. So far, six of these jobs have been created, five of which are paying at least the Real Living Wage. This represents 83% of jobs created in the introductory phase to date, and this will continue to be closely monitored as the supported projects progress and the associated jobs are filled.
- 2.8 Additionally, the wage levels of all jobs created on the BGP since July 2018 have also been monitored, including for those projects approved prior to the introduction of the new criteria. This monitoring has shown that of the 283.5 jobs created since July 2018, 198 (69.8%) are paying at least the Real Living Wage.
- 2.9 Nine BGP applications of above £50,000 have been approved since the introduction of the new approach. Applicants at this grant level are required to commit to additional inclusive growth commitments, as well as creating new jobs. So far, 22 additional inclusive growth commitments have been secured

¹The latest version of the Policy Framework is provided in **Appendix 1** of this report.

from these nine grant recipients. A list of inclusive growth commitments has been developed that the businesses can adopt, and support is available from the LEP/Combined Authority, and its partners, such as Jobcentre Plus and Local Authorities, to implement the various commitments (see Appendix 2).

- 2.10 The current commitments include: - Inspire the next generation by working with schools and/or colleges; Develop a Skills Plan including apprenticeships; Offer training to low paid staff to help them progress; Offer work opportunities to local people with disabilities or health issues; Offer more sustainable 'green travel' options to employees; Undertake an energy audit to identify ways to reduce energy consumption; Undertake a supply chain audit to identify opportunities to buy more from local suppliers, Pay small business suppliers in accordance with the Prompt Payment Code - <http://www.promptpaymentcode.org.uk/> - including a commitment to pay all suppliers within 60 days and to commit to 30 days as the norm; Commit to paying staff the Real Living Wage within an agreed timescale.
- 2.11 Of commitments agreed with businesses to date, the highest number are for undertaking an energy audit (22.7%), followed by offering more sustainable green travel options for employees and developing a skills plan (both 18.2%). All commitments have had at least one adoption, except for undertaking a supply chain audit to identify opportunities to buy more from local suppliers, but the new Supply Chain Development Programme at the University of Huddersfield will support businesses with this commitment in due course.
- 2.12 Informal feedback from businesses has been positive to date, with the majority being receptive to the new approach. As perhaps expected, the smaller businesses have been those that have expressed some concern related to their more limited resources to implement the commitments.
- 2.13 Payment of the Real Living Wage has been the main challenge reported for businesses since the new approach has been implemented, in particular for those operating in lower value sectors, and/or, in geographical areas where wages are lower than the City Region average. These are often more disadvantaged areas, so the decision to adopt a two-tier grant rate has been beneficial to avoid an outright exclusion of certain firms in certain locations from grant support.
- 2.14 BIG Panel is, therefore, asked to consider whether the inclusive growth criteria and commitments for the BGP should be continued.

Broadening the inclusive growth approach

- 2.15 At its meeting on 14 September 2018, the Combined Authority's Overview and Scrutiny Committee considered a report on the business grants currently delivered by the Combined Authority/LEP. This covered an update on the outputs associated with each grant programme and the recent introduction of the inclusive growth approach for capital grants.

- 2.16 The Committee recommended that consideration be given to extending the inclusive growth approach to the grant elements of all business support programmes and also to grants of all values.
- 2.17 The LEP currently manages seven grant programmes for businesses, and has contributed match funding to a further two managed by Leeds City Council on behalf of the City Region. These are listed in Appendix 3. Across these programmes, 894 grants were approved in 2017/18, and 521 have been approved to date in 2018/19, which demonstrates the high volume of transactions and businesses supported.
- 2.18 BIG Panel is, therefore, also asked to consider the benefits and risks of extending/adapting the approach to other grant programmes in the LEP's portfolio. Considerations include the potential impact on smaller businesses arising from perceived bureaucracy; and therefore potential impact on the take-up of the grants; the proportionality of applying the criteria and commitments for all grant values, particularly where jobs creation is not a requirement of the grant (e.g. the Resource Efficiency Fund grant that targets carbon reduction as its primary output); and the additional cost of staffing resources required to monitor the delivery of the commitments and outcomes across all grant awards, particularly the smaller £2,000 Apprenticeship Grant for Employers.

3 Financial Implications

- 3.1 There may be financial implications arising from the recommendation to extend inclusive growth commitments more widely, in terms of extra staff monitoring resources required. There may also be potential risk to programme spend and outputs on contracted Local Growth Deal programmes and the risk of clawback on ESIF/government funded contracts, if there is a disincentive effect to businesses for applying for grant support from those programmes.

4 Legal Implications

- 4.1 There are no legal implications directly arising from this report. However, there would be increased requirement for legal resources for contracting and compliance issues if the inclusive growth criteria were to be applied to grants on all programmes, and at all values.

5 Staffing Implications

- 5.1 There may be staffing implications relating to paragraph 3.1 and 4.1 above.

6 External Consultees

- 6.1 No external consultations have taken place. The Inclusive Growth & Public Policy Panel will also be consulted.

7 Recommendations

- 7.1 That the Panel considers the progress to date on the implementation of the new inclusive growth criteria and commitments to the BGP and gives a steer to the LEP Board as to whether they should be continued.
- 7.2 That the Panel considers the recommendation from the Combined Authority's Overview and Scrutiny Committee that inclusive growth commitments be considered for the grant elements of all business support programmes.

8 Background Documents

None.

9 Appendices

Appendix 1 – Policy Framework

Appendix 2 – New criteria for the Business Growth Programme

Appendix 3 – List of LEP Grant Programmes