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**Report to:** Business Investment Panel

**Date:** 12 July 2019

**Subject:** **Business Grants Programme**

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## 1. Purpose of this report

- 1.1 To outline the current position regarding progress in committing grants through the Leeds City Region Enterprise Partnership (the LEP) Business Grants Programme (BGP).
- 1.2 That the Panel notes the update on the Productivity Pilot as outlined in section 3 and **Appendix 1** and considers the application outlined in 4.1 and detailed in exempt **Appendices 2 and 3**.

## 2. Information

- 2.1 Spend and outputs for the grant schemes funded through the Local Growth Fund (LGF) are detailed below. Achievements against these targets can be made through the three capital grants schemes which make up the BGP; the big scheme, the small scheme and the Business Flood Recovery Fund. The big scheme is for grants over £100,000, the small scheme is grants of between £10,000 and £100,000 and the Business Flood Recovery Fund is grants of £10,000 to £100,000 for businesses affected by the Boxing Day Floods of 2015 (note that this programme is now closed to new applications).

Performance indicator	Target	Big scheme committed	Small scheme committed	Flood grants committed	Total commitments	Actual outputs (25/06/19)
Direct jobs	4,100	3,030	2,518	n/a	5,548	4,021
Safeguarded jobs	n/a	152	0	1,541	1,693	1,682
Number of grant awards	765	43	632	63	738	637
Total investment	£168,500,000	£161,599,164	£182,588,300	£12,793,515	£356,980,979	£277,092,696
Programme Spend	£44,316,000	£9,704,356	£21,419,872	£2,860,375	£33,984,603	£29,182,443

Performance indicator	Target	Big scheme committed	Small scheme committed	Flood grants committed	Total commitments	Actual outputs (25/06/19)
Cost per job	n/a	£3,203	£8,508	n/a	£6,126	£7,257
Cost per job (including safeguarded jobs)	n/a	£3,050	n/a	£1,856	£4,694	£5,117

2.2 To date commitments of £31.12 million have been made through a combination of the big and small schemes. Eight applications to the small scheme, with a combined grant value of £310,863, were approved under sub-delegations in May 2019.

2.3 As outlined in previous Business Investment Panel papers, grants are now funded through a combination of the Business Growth Programme and Access to Capital Grants, both of which are funded through the LGF.

2.4 Commitments through the Business Flood Recovery Fund currently stand at £2.86 million. Of a total of 66 projects approved, three have been withdrawn, 58 are complete and £119,528 is left to pay to five businesses whose projects are still live.

2.5 All grant awards are listed in summary form on the LEP website and updated quarterly.<sup>1</sup>

### 3. Productivity Pilot

3.1 £500,000 was ringfenced from the Business Growth Programme budget to support the Productivity Pilot, which aims to incentivise productivity improvements within a small cohort of businesses, rather than requiring projects to lead to the creation of new jobs. The pilot was run as a competition, with an Open Call inviting businesses to apply between 17 September and 14 December 2018. Applications were invited from businesses for grants of between £25,000 and £100,000 (with corresponding total project costs of between £125,000 and £1 million) to support capital investments leading to clearly-evidenced productivity improvements that will be undertaken between 1 February and 31 July 2019.

3.2 Applicants were asked to complete a 'Productivity Plan' which demonstrated how they currently measure productivity and what improvements will be achieved, and evidenced, within a 12-month period following the investment. Applicants were also asked to also set out other firm-level productivity interventions that will complement the capital investment and be delivered within an agreed period of up to 12 months. Examples could include commitment to achieve an industry or technical accreditation, undertake a productivity-improvement activity, such as Lean Manufacturing or Six Sigma, or, upskill key employees to gain maximum benefit from the capital investment.

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<sup>1</sup> <https://www.the-lep.com/about-us/transparency/grants-for-business/>

- 3.3 A total of 11 applications were received, with a total grant request of £687,050. Four were from Leeds-based businesses, two each from Barnsley, Bradford and Kirklees and one from Craven. Six applications were from small enterprises (fewer than 50 employees), three from medium enterprises (50-249 employees) and two from large businesses (250 or more employees). All applicant businesses were in the manufacturing/engineering sectors.
- 3.4 After initial screening by officers to confirm eligibility for the programme, the applications were considered by the Productivity Pilot Technical Appraisal Group on 14 January 2019. Applications were scored based on the Productivity Plans submitted as part of their applications. Those scoring highest, and consequently being recommended for approval, were those best able to demonstrate how the investment(s) would lead to clearly measurable improvements in productivity, and then also set out a clear approach to capturing and reporting those improvements in the short and longer term.
- 3.5 Seven applications were recommended for approval (with a total grant value of £500,165), and four were recommended for rejection (with a total grant value of £186,885).
- 3.6 The recommendations of the appraisal panel were subsequently formally endorsed by the Combined Authority's Executive Head of Economic Services in February 2019.

#### *Early stage findings*

- 3.7 More detailed findings will be reported to the Panel when the majority of the investments are complete in early autumn. However, there are some initial common findings across the supported projects as follows:
- There is a demand for a product of this nature with applicants, and the wider manufacturing sector, welcoming the opportunity for grant support linked to productivity improvements, rather than job creation. In addition to the 11 applications received, there was significantly higher interest in the pilot, but not all projects met the defined timescales required for the pilot and therefore did not come forward as applications.
  - All applications were from businesses in the manufacturing / engineering sector, and most related to the development of new automated 'production cells' that aim to reduce waste and/or save time e.g. reduce / eliminate bottlenecks.
  - Applicant businesses all measure productivity in different ways which makes capturing outputs / outcomes at a programme level more challenging.
  - At a project level, applicants have contracted to deliver operational and financial key performance indicators.
  - All successful applicants were able to clearly identify additional firm-level productivity interventions to be delivered within an agreed period alongside, or shortly after, the capital investment e.g. training of specific employees and gaining industry supplier accreditation.
  - Applicants receiving grant awards of £50,000 or above have also committed to additional Inclusive Growth commitments (as per the policy

at the time of application), such as undertaking an energy audit, working with local schools, undertaking more sustainable green travel for employees, or, offering employment opportunities for those furthest from the labour market.

3.8 More detail on the projects supported is provided at **Appendix 1**.

#### **4. New large programme application**

4.1 There is one new application for consideration. The application and appraisal are attached as detailed.

<b>Project Ref</b>	<b>District</b>	<b>Total Investment £</b>	<b>Grant Requested £</b>	<b>Proposed New Jobs</b>	<b>Appendices</b>
1102050	Leeds	£1,040,000	£100,000	50	2 & 3
		<b>£1,040,000</b>	<b>£100,000</b>	<b>50</b>	

#### **5. Update on previously approved application**

5.1 At panel on 4 June 2019 an application for £250,000 was considered from a large warehousing and distribution business with multiple sites across Leeds City Region. Owing to growth being experienced the company needs additional capacity in order to fulfil existing and potential new contracts. It identified premises of 175,000 square feet just off Junction 31 of the M62 motorway, which require fitting out at a total cost of £2,500,000. Its application was for a grant of £250,000 towards this. The expansion will create up to 300 new jobs

5.2 Panel members recommended that the application be supported, but at a lower level of £205,000. This was on the basis that the company had stated that the investment will be undertaken in two phases and owing to timing issues it was already committed to phase one, which amounts to a total cost of £0.45 million. Panel members agreed that the added value of grant support was in relation to phase two of the investment, which amounts to £2.05 million. The grant therefore represents a contribution of 10% of cost.

5.3 The application was formally approved by the Combined Authority's Managing Director on 12 June 2019 and a formal funding agreement is in the process of being drawn up. The company will be formally contracted to the creation of 50 new jobs, but will be required to provide information on all new jobs created as part of ongoing monitoring of the project.

#### **6. Financial implications**

6.1 There are no financial implications directly arising from this report.

## **7. Legal implications**

- 7.1 The information contained in **Appendices 2 and 3** is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendix as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future decision making.

## **8. Staffing implications**

- 8.1 There are no staffing implications directly arising from this report.

## **9. External consultees**

- 9.1 No external consultations have been undertaken.

## **10. Recommendations**

- 10.1 That the Panel notes the progress report.
- 10.2 That the Panel considers the grant application detailed at 4.1 and attached at exempt **Appendices 2 and 3**.

## **11. Background documents**

None.

## **12. Appendices**

**Appendix 1** - Productivity Pilot Projects Summary.

**Exempt Appendix 2** - application form for project reference 1102050.

**Exempt Appendix 3** - appraisal for project reference 1102050.