

Scrutiny actions

1. Overview of low uptake in AGE grant programme PHASE 2 and which grant criteria was changed to increase uptake.

As reported to the May meeting of the Overview and Scrutiny Committee the following Key Performance Indicator (KPI) relating to apprenticeships, was not met in 2018/19:

| Indicator | Target | 2018/19 result | Notes |
|--|------------------|----------------|--|
| Supporting businesses to offer apprenticeships | 1,000 businesses | 43 | We have significantly under-achieved against this target as it relied on the delivery the new ESIF funded Employment Hub project. Delays in contracting at DWP (the managing agent) have delayed the start of the project by 9 months. Contracts have now been signed and delivery will begin shortly so outputs have been rolled into 2019/20. The low level of demand for the AGE grant has also impacted performance and a revised criteria has now been implemented. |

As highlighted in the table above the key reason for not meeting this target was due to delays in securing the Employment Hub contract from the Department of Work and Pensions. However, members of the Overview and Scrutiny Committee also raised a specific query in relation to the low level of take up of the AGE grant, as referenced above and sought clarification on how the criteria for this grant had been changed to increase uptake.

Response:

The AGE grant currently provides up to £2,500 for businesses who wish to recruit an apprentice. The Combined Authority had previously seen a high level of demand for phase 1 of the grant. However, the second phase of the grant launched in August 2018, which had new criteria to reflect LEP skills priorities, failed to attract the anticipated volume of grant applications. The phase 2 criteria for the AGE grant, along with significant changes to national apprenticeship funding for businesses, have resulted in reduced overall demand for the grant.

In January 2019 the LEP Board approved a revision of the grant criteria in order to create more/additional applicants to phase 2. The revised grant criteria opened up the grant to businesses with 249 employees or less (whereas it was previously restricted to 50 or less employees). In addition the revisions allowed applications to be made from business within any sector, whereas originally the grant was restricted

to LEP skill priority sectors. At the same time the grant value was increased by £500.

Targeted marketing began in May 2019 to reflect the revised criteria outlined above and this will continue throughout the summer. It is however too early to assess the impact that this has had on take up, as most apprentices are recruited during September/October.

The AGE grant will remain under review as national apprenticeship changes continue to be implemented. A report has been requested by the Employment and Skills Panel for its next meeting on this subject.

2. Explanation of current/planned work on procurement policy with regards to local supply chains in the region.

The Overview and Scrutiny Committee asked for further information on how the organisation can seek to ensure that local supply chains are adequately reflected in procurement processes.

Response:

The Combined Authority procurement team recognise the value that SME's have in helping us to achieve our corporate and commercial objectives. Corporately they create jobs and support economic growth and commercially they are a source of innovation and provide a dynamic competitive market. Procurement activity at the Combined Authority needs to support the existence and development of an SME supply market in a manner that is compliant with legislation and delivers the intended outcomes.

The Combined Authority needs to ensure that there are no artificial barriers to SME's participating and winning our procurement opportunities. A lot of work has been done in recent years across the public sector to address this issue and the recently created Procurement function have adopted processes that embrace these initiatives. Such as:

- Greater use of the open tender process, rather than restricted
- Use of the standard selection questionnaire
- Encouragement of pre-market engagement exercises
- Advertising in Contract Finder
- Use of lotting in tenders
- Self-certification
- Faster payment terms through the supply chain

However there is still more than can and will be done as we develop the function. These include:

- Linking up with our Economic Services SME engagement, with potentially targeted advertising to the SME community

- Establishing an SME forum, to obtain feedback on whether we are “Easy to do business with”.
- Review the potential for a supplier questionnaire
- Internal training session – focussed around removing barriers in procurement criteria
- Meet the Buyer type opportunities potentially collaborating across regional partners
- Procurement strategies that tackle the issue of SME inclusion directly e.g. considering SME friendly processes
- Promoting and encouraging sub-contracting opportunities

To monitor the results from this activity we need to measure the number of our suppliers classified as SME’s etc. This is proving challenging at the current time due to the availability of the data via current systems. We are working to improve this situation as soon as possible. We can then benchmark how successful we are attracting and working with SME’s over time. All of these activities are not only permissible but are actively encouraged within public procurement.

Consideration could also be given to further promoting opportunities for SME’s. However thought must be given to the wider impact of such initiatives. The Combined Authority needs to ensure high quality delivery for its commissions which means appointing the best supplier for the work. We also need to encourage the adoption of best practice and innovative techniques within a vibrant supply market.

3. Background info on upcoming the ‘Climate Summit’ and Blue & Green Infrastructure Plan/Strategy.

Overview and Scrutiny Committee asked for further details to be provided on the status of the Energy Plan, the Green and Blue Infrastructure Strategy and the proposed climate summit.

Response:

The Combined Authority adopted the following strategies at their meeting of 13 December 2018:

- Leeds City Region Green & Blue Infrastructure Strategy & Delivery Plan; and
- Leeds City Region Energy Strategy & Delivery Plan.

More details about both of these are provided below:

Energy Strategy & Delivery Plan

The Energy Strategy and Delivery Plan is the response of City Region partners to the global challenge of providing a secure, affordable energy supply for our residents and businesses, while also lowering carbon emissions to help the UK meet its

national (Climate Change Act) and international (Paris Climate Change Agreement) carbon reduction targets.

The Strategy sets out how investment will be targeted across five priority actions areas to meet the ambition of becoming a *zero-carbon energy economy*. The Strategy also sets the carbon emission reduction trajectory that the City Region would need to deliver against to comply with the Paris Climate Change Agreement and seeks feedback from the Board on the setting of a City Region carbon reduction target in line with Paris.

A copy of the strategy can be found here: <https://www.westyorks-ca.gov.uk/media/2424/leeds-city-region-energy-strategy.pdf>

Green & Blue Infrastructure Strategy & Delivery Plan

The Green and Blue Infrastructure Strategy and Delivery Plan sets out how we will make the most of the region's natural assets to help the economy prosper, enable people to enjoy a great quality of life, and combat the effects of climate change.

The strategy focuses on seven priorities to achieve the following vision:

“Everybody in the City Region is within easy reach of an outstanding and well used network of green and blue infrastructure that reduces flood risks and supports health, the economy, the environment and a superb quality of life”.

A shortlist of 12 projects have been identified from a long list of over 160 for delivery over the next 5 years.

A copy of the strategy can be found here: <https://www.westyorks-ca.gov.uk/media/2432/leeds-city-region-green-and-blue-infrastructure-4-page-final.pdf>

Event - 10th July 2019:

An event is due to be held on 10 July 2019, where city region leaders will come together to sign a climate pledge. This will be based on partners committing to work together at a regional level to tackle climate change and work towards a regional carbon reduction target.

This event will also see the launch of a wider communications campaign highlighting the principles set out in the Energy Strategy and Delivery Plan. This campaign will feature city region leaders and LEP Board members as well as young people and grassroots organisations from across the Leeds City Region.

Climate Summit 2020:

It is proposed to hold a climate summit in Spring 2020. This will be an opportunity to build on the Energy Strategy and Delivery Plan achievements so far and to promote our aspirations post 2020. The proposed format and content of the event is currently under development.

4. **Overview of Broadband rollout and the ‘ongoing challenges in contract 2’ mentioned in the report.**

Members of the Overview and Scrutiny Committee raised a query regarding a KPI for 2019/20 which relates to providing broadband infrastructure to over 5,000 homes in urban and rural communities during 2019/20. In the notes which accompanied this KPI, specific reference was made to ongoing challenges in broadband contract 2 and Members sought further clarification on the nature of these challenges.

Response:

As contract 2 rolls out superfast broadband to the more remote geographies in the region, it becomes increasingly difficult (and expensive) to find suitable sites for fibre cabinets, to locate suitable sources of power and to lay fibre along very rural roads. The project, by its very essence, is to incentivise Openreach to go where they wouldn't/couldn't go on a purely commercial basis, hence these future locations in contract 2 will be the most difficult and costly places to deploy superfast broadband.

As we try to build fibre further out from the main urban, semi-urban areas, the cost of a fibre “structure” will therefore increase and the number of premises, both residential and business, served by each structure provided, will decrease due to the complexities outlined above. The impact of this is that the cost per premise in contract 2 will increase compared to previous contracts.

There comes a time when the cost/premise for a proposed structure cannot be justified. It is public money that we are spending and we must achieve good value for money. When a structure is deemed to be too expensive to build, we always look for an alternative one to take its place. Any removal/replacement is assessed by the project team and Openreach, and is discussed and approved by LA partner project reps.

5. **Further information on the Growing Places Fund and planned changes to its delivery.**

The Overview and Scrutiny Committee requested further information about the Growing Places Fund and the future proposals for the fund.

Response:

The Growing Places Fund (GPF) began in 2012 offering loans to support projects that required additional capital funding to deliver jobs and economic growth and to unlock stalled developments post-recession, within a timescale of five years or less. The fund was open to all businesses and organisations of any size based in or looking to invest in the Leeds City Region. Any future loans are however currently on hold pending the launch of a renewed fund aimed at the needs of the current lending environment and SMEs.

The programme has currently enabled the sustainment or creation of 835 jobs and the building of 785 homes of which 106 (13.8%) are affordable. The projects funded through GPF have delivered developments that would either have been unviable or not realised as quickly as they have been. £16.5 million of capital has so far been returned through repayment of loans.

Work is currently underway to consider how best to relaunch, the returned capital in a new fund suited to the current lending market. This follows a review undertaken by PWC in summer 2018, which concluded that while there is a continuing demand for this type of fund to kick start new projects, the market has changed significantly since the fund was first established in 2012, as banks will lend but are more risk averse. The review highlighted that a more commercial approach needs to be adopted going forward in order to balance the exposure to risks.

Following consideration of the PWC findings and wider discussions with other authorities administering similar grants, a potential model has been identified for a new commercially focussed fund led internally by the Combined Authority. A procurement exercise is currently underway to appoint consultants to advise on the detailed scope of a replacement fund and to identify the specific commercial skills that would be required to manage this. Dependent on the outcome of this work, it is currently envisaged that a replacement for the GPF could be introduced in early 2020. A portion of the recycled capital is earmarked for grants to support inclusive growth and the LEP Board have considered this.