
Report to: Business Investment Panel

Date: 5 September 2019

Subject: **Business Growth 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 Growth Programme (BGP).
- 1.2 That the Panel notes the changes to the programme criteria, as outlined in section 3.
- 1.3 That the Panel considers the recommendation to deliver a second round of the Productivity Pilot, as outlined in section 4.
- 1.4 That the Panel considers the application outlined in 5.1 and detailed in exempt **Appendices 1 and 2**.

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 (01/08/19)
Direct jobs	4,100	3,030	2,610	n/a	5,640	4,149
Safeguarded jobs	n/a	152	0	1,541	1,693	1,682

Performance indicator	Target	Big scheme committed	Small scheme committed	Flood grants committed	Total commitments	Actual outputs (01/08/19)
Number of grant awards	765	43	641	63	747	658
Total investment	£168,500,000	£161,599,164	£186,717,770	£12,793,515	£361,110,449	£281,813,551
Programme Spend	£44,316,000	£9,704,356	£21,845,869	£2,860,375	£34,410,600	£29,787,620
Cost per job	n/a	£3,203	£8,372	n/a	£6,102	£7,179
Cost per job (including safeguarded jobs)	n/a	£3,050	n/a	£1,856	£4,693	£5,108

- 2.2 To date commitments of £31.55 million have been made through a combination of the big and small schemes. Six applications to the small scheme, with a combined grant value of £327,774, were approved under sub-delegations in June 2019. Eleven applications, with a combined grant value of £455,917, were approved under sub-delegations in July 2019.
- 2.3 As outlined in previous Business Investment Panel papers, grants are now funded through a combination of BGP and Access to Capital Grants (A2CG), 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.¹

3. Changes to programme criteria

- 3.1 Following recommendations by the Panel, proposed changes to the programme guidelines and criteria were considered by the Business, Innovation and Growth Panel on 28 May 2019, and by LEP Board on 18 July 2019. The following changes were agreed by LEP Board, and will take effect from 1 October 2019:

Sector eligibility

- 3.2 No changes to the sector criteria, but this will be reviewed following the conclusion of the new Local Industrial Strategy. Until then, applications from on-line retailers will continue to be accepted where significant levels of new employment will be created, significant being defined as more than 50 new jobs.

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

Additionality and affordability

- 3.3 In order to be eligible for grant support, the maximum amount of remuneration (salary and/or dividends) per annum, per director, averaged over a three-year financial period, must not exceed £150,000 (for grants of between £10,000 and £100,000). This formalises existing guidance.

Applications from large businesses

- 3.4 Applications from large businesses (or businesses that are part of a larger group) will continue to be accepted, but only where minimum total project costs are £1,000,000 and proposed new job numbers are at least 20.
- 3.5 Additionally, grant awards will be restricted to 10% of eligible costs, even where projects are funded through De Minimis.

Productivity Focus

- 3.6 Grant support for costs related to property fit-out/refurbishment will remain eligible, but the maximum grant amount available to support such costs will be £100,000. Furthermore, grant support for costs related to the fit-out/refurbishment of new premises will not be eligible if the applicant has already entered into a commercial lease or has recently purchased premises. Costs related to fit-out/refurbishment of existing premises will be considered when the applicant has occupied the premises for at least six months.

Multiple applications

- 3.7 The current policy, which restricts businesses to the submission of three successful applications over a three-year period or receipt of a maximum of £250,000 over the same period, will be retained. This applies to all applications to BGP, whether funded directly through BGP or the A2CG Grants Programme.

Appeals policy and process

- 3.8 The appeals policy is currently being reviewed and will be brought to Panel for consideration at the October 2019 meeting.

4. Productivity Pilot

- 4.1 An update on round one of the Productivity Pilot was provided to the Panel at its meeting in July 2019.
- 4.2 The Panel is now asked to consider whether the LEP should deliver a second round of the Productivity Pilot in Autumn 2019. The following options have been identified:

One	Ring-fence a further £500,000 from BGP to deliver a second round of the Productivity Pilot in Autumn 2019
Two	Change the criteria for BGP to enable the standard programme to support projects leading to productivity improvements, as well as those creating new jobs
Three	Defer a decision until after the outcome on exiting the European Union (EU) is known

Option One

- 4.3 £34,410,600 of the total BGP funding of £44,316,000 has currently been committed to businesses, so there is a headroom within the budget to ring-fence £500,000 for a second round of the pilot.
- 4.4 This would allow further evidence gathering to support a future decision, and would provide a small grant fund that could immediately be more flexible in responding to business needs in the event of a 'no deal' exit from the EU.

Option Two

- 4.5 BGP is funded through two programmes; the Business Growth Programme directly and also A2CG. The latter also match-funds a number of other programmes, namely the Strategic Business Growth Programme, Access Innovation, Digital Enterprise and Ad:Venture. At programme level, BGP is contracted to deliver 3,660 jobs with A2CG contracted to deliver 1,500 new jobs. The table below show committed jobs and actual jobs to date (to 30 June 2019) against contractual targets. This includes 1,682 jobs safeguarded through the Business Flood Recovery Fund, which was also funded from the BGP budget.

Scheme	Contracted target number of jobs	Committed jobs	Actual jobs
BGP	3,660	6,287	4,595
A2CG	1,500	2,024	1,606

- 4.6 As the contracted target number of jobs has already been achieved on both BGP and A2CG, there could be some flexibility on how the remaining funds are used, subject to agreement with the Department for Business, Energy and Industrial Strategy (BEIS). This would enable a more flexible grant fund, better able to deal with current uncertainties in markets. However, the evidence from the first pilot to support this decision is limited at this stage.

Option Three

- 4.7 Given uncertainties in the current economic climate and around the possibility of a no deal exit from the EU, a decision on whether to undertake option one or two could be delayed until the exit outcome and its potential implications are better known.

- 4.8 This would enable the greatest flexibility to adapt the criteria of the funding as a whole to respond to emerging business needs, but could delay the immediate availability of flexible funding post 31 October.
- 4.9 It is recommended that option one is undertaken, to gather further evidence on the effectiveness of using grant support to deliver business productivity improvements. The learning from the first two rounds of the Productivity Pilot would then be used to inform the future delivery of business grant programmes.
- 4.10 If this recommendation is taken forward, the findings of both rounds will be used to gain a better understanding of firm-level productivity, to explore what types of improvements to productivity can be supported through a publicly-funded programme and to inform future interventions to stimulate and measure productivity improvements within businesses.
- 4.11 In consideration of the Combined Authority's declaration of a climate emergency, the Panel is asked to consider the extent to which clean growth considerations and principles should be embedded in a second pilot. This could, for example, include a requirement for all successful applicants to undertake a resource efficiency assessment as part of their project.
- 4.12 Continuing to encourage, support and incentivise business investment is a key priority in the light of current uncertainty around the post-Brexit business environment.

Governance and Delivery

- 4.13 As with the first round, it is proposed that a working group (comprising of private sector members of the Business Innovation and Growth Panel, a senior representative of the Cities and Local Growth Unit, and officers of the Combined Authority/LEP) assesses applications and makes recommendations to the LEP and Combined Authority for grant awards.
- 4.14 The Combined Authority's Business Support Team would be responsible for the overall delivery and monitoring of the second round of the pilot, with support from the Policy, Strategy and Communications Directorate.

Indicative Timescale

- 4.15 Subject to approval, the following table gives indicative timescales for the implementation of the pilot project.

Activity	Date
Call opens	1 November 2019
Deadline for applications	31 January 2020
Decisions on awards	28 February 2020
Projects supported undertaken	March 2020 to August 2020

Longitudinal survey of grant-recipients	March 2020 to March 2022
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5. New large programme application

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

Project Ref	District	Total Investment £	Grant Requested £	Proposed New Jobs	Appendices
1103454	Leeds	£2,600,000	200,000 euros	25	1 & 2
		£2,600,000	200,000 euros*	25	

*Circa £185,000 at current exchange rates.

6. Update on previously approved application

- 6.1 At panel on 12 July 2019 an application for £100,000 was considered from a manufacturer and retailer of floor care and kitchen consumer electrical goods that currently has its European headquarters in Wakefield. The company is growing rapidly and in order to accommodate further growth needs to move to larger premises. A new larger site in Leeds has been identified, but in order to make it fit for operational purposes investment of circa £1 million is required in terms of fit-out. The company requested a grant of £100,000 towards this. The expansion will create up to 55 new jobs over a three year period (18 by the end of 2019/20), all but a small handful of which will pay in excess of the Real Living Wage.
- 6.2 Panel members recommended that the application be approved for the amount requested, primarily on the basis that the expansion will embed the European headquarters of a fast growing business in the City Region for the medium to long-term and the number and quality of proposed new jobs. The application was formally approved by the Combined Authority's Managing Director on 17 July 2019 and a formal funding agreement is in the process of being drawn up. The company will be contracted to the creation of 20 new jobs, all paying above the Real Living Wage.

7. Financial implications

- 7.1 As set out in the report and subject to approval, a budget of £500,000 would be made available as a ring-fenced amount from the existing BGP budget for a second productivity pilot. £34,410,600 of the total BGP funding of £44,316,000 has currently been committed to businesses, so there is a headroom within the budget to ring-fence £500,000 for a second round of the pilot and BEIS has previously agreed for it to be used in this fashion.

8. Legal implications

- 8.1 The information contained in **Appendices 1 and 2** 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.

9. Staffing implications

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

10. External consultees

- 10.1 No external consultations have been undertaken.

11. Recommendations

- 11.1 That the Panel notes the progress report.
- 11.2 That the Panel considers the recommendation to deliver a second round of the Productivity Pilot, as detailed in section 4.
- 11.3 That the Panel considers the grant application detailed at 5.1 and attached at exempt **Appendices 1 and 2**.

12. Background documents

None.

13. Appendices

Exempt Appendix 1 - application form for project reference 1103454.

Exempt Appendix 2 - appraisal for project reference 1103454.