
Report to: LEP Board

Date: 16 January 2020

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

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1. Purpose of this report

- 1.1 To update the Board on the effectiveness of securing inclusive growth commitments from recipients of LEP business grants.
- 1.2 To endorse the continued implementation of the inclusive growth criteria, and associated commitments, for all business support programmes with a grant element.

2. Information

Background

- 2.1 Inclusive growth means allowing everyone in the Leeds City Region to be able to contribute to and benefit from wealth creation, enjoy the benefits of a strong economy and enjoying a decent standard of living. As part of the West Yorkshire Combined Authority and the LEP's commitment to creating an economy that works for everyone, inclusive growth criteria have been developed for recipients of business grants from the LEP's various business support programmes.
- 2.2 The criteria was introduced for applicants to the Business Growth Programme (BGP) in July 2018 and in July 2019 was extended to recipients of grants across all programmes. The new criteria is outlined in **Appendix 1** and incorporates incentive-based criteria linked to the Real Living Wage for all programmes which create jobs, thus building on the success of the BGP experience to date. It also extends the list of inclusive growth commitments to the wider range of programmes with a grant element and includes a lower threshold (£25,000 and above) at which grant-recipients will be asked to make commitments as a condition of the grant award.
- 2.3 Those businesses receiving grants of between £10,000 and £24,999 are now expected, and supported, to deliver one commitment, but it is not mandatory, and there is no expectation on those receiving grants below £10,000.

- 2.4 The LEP currently delivers nine business support programmes with grant elements for businesses, and these are listed in **Appendix 2**. Across these programmes, 239 grants were approved in 2018/19, and 130 have been approved to date in 2019/20 (to 30 November 2019), which demonstrates the high volume of transactions and businesses supported.

Review of initial effectiveness – Real Living Wage

- 2.5 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 **58% of the jobs created** as a condition of the grants were paying the Real Living Wage or above.
- 2.6 Since the introduction of the new criteria in July 2018, 145 BGP applications have been approved. These applications are linked to the creation of 747 new jobs, 601 of which are proposed to pay above the Real Living Wage. This represents **80% of all of the jobs to be created** via the investment projects to be supported on BGP. So far, 280 of these jobs have been created, 249 (89%) of which are paying at least the Real Living Wage, and this will continue to be closely monitored as the supported projects progress and the associated jobs are filled.
- 2.7 It is a requirement of recipients of the Digital Inward Investment Fund (#Welcome) and the Digital Investment Fund (#Grow) that all jobs must pay at least the Real Living Wage.
- 2.8 There have been two approvals for grants through the Strategic Inward Investment Fund since the introduction of the revised criteria in July 2019, collectively creating 184 new jobs, all paying at least the Real Living Wage.

Review of initial effectiveness – inclusive growth commitments

- 2.9 A summary of the commitments obtained to date across each programme with a grant element is provided in table 1.
- 2.10 The criteria has been a mandatory requirement of recipients of BGP grants of £50,000 or above since 31 July 2018.
- 2.11 The criteria has been a mandatory requirement of recipients of grants of £25,000 or above across all programmes with a grant element, and a voluntary ask of businesses receiving a grant of between £10,000 and £24,999 since 1 July 2019.

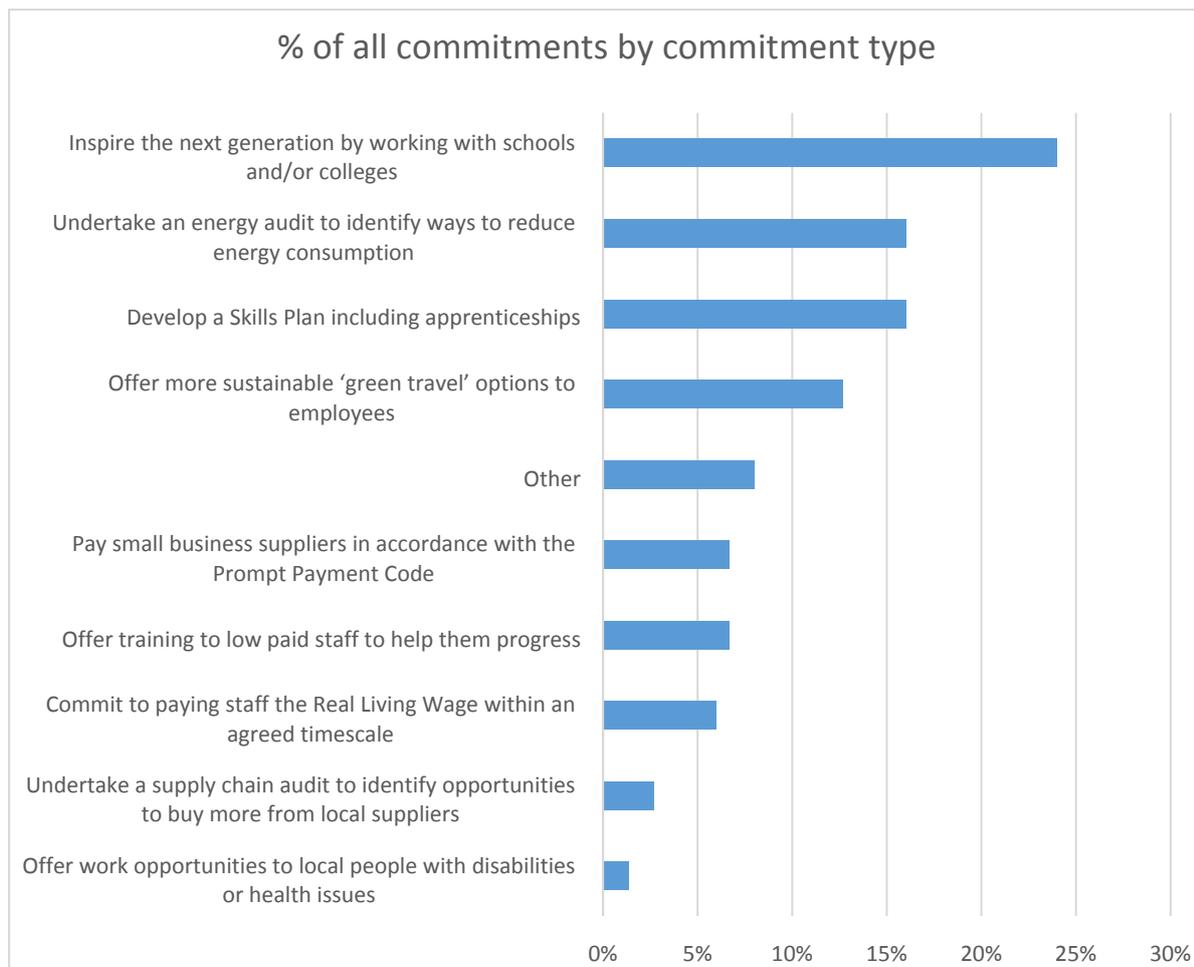
Table 1: Number of inclusive growth commitments by programme

Programme	Total number of commitments since introduction of Inclusive Growth criteria	No. of mandatory commitments obtained from businesses	No. of voluntary commitments obtained from businesses
Access Innovation	9	1	8
Business Growth Programme	103	96	7
Productivity Pilot	9	8	1
Strategic Business Growth	1	1	0
Strategic Inward Investment Fund	12	8	4
#Grow	10	9	1
#Welcome	6	4	2
Total	150	127	23

2.12 A summary of the number of each commitment obtained to date is provided in table 2.

Table 2: Number of inclusive growth commitments by commitment type

Commitment	Number	Percentage of all commitments
Inspire the next generation by working with schools and/or colleges	36	24%
Develop a Skills Plan including apprenticeships	24	16%
Undertake an energy audit to identify ways to reduce energy consumption	24	16%
Offer more sustainable 'green travel' options to employees	19	13%
Other	12	8%
Offer training to low paid staff to help them progress	10	7%
Pay small business suppliers in accordance with the Prompt Payment Code	10	7%
Commit to paying staff the Real Living Wage within an agreed timescale	9	6%
Undertake a supply chain audit to identify opportunities to buy more from local suppliers	4	3%
Offer work opportunities to local people with disabilities or health issues	2	1%
Total	150	100%



- 2.13 Of commitments agreed with businesses to date, the highest number are for working with schools and/or colleges (24%), followed by developing a skills plan and undertaking an energy audit to identify ways to reduce energy consumption (both 16%).
- 2.14 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.
- 2.15 Payment of the Real Living Wage has been the main challenge reported for businesses since the new approach has been implemented, particularly for those operating in lower value sectors, and/or, in geographical areas where average 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 these locations from grant support.

Case studies

- 2.16 Below are some brief examples of businesses that have received grants and contributed to inclusive growth. There are many others across the range of

commitments, but these provide pen portraits of the business contribution.

- 2.17 A Leeds-based business that has received an Access Innovation grant has committed a member of staff to becoming an Enterprise Advisor. The business will be working with a local school to help develop its enterprise curriculum.
- 2.18 A manufacturer from Kirklees that has accessed a Business Growth Programme grant has become an accredited Real Living Wage Foundation employer.
- 2.19 A recipient of a Digital Inward Investment Fund (#Welcome) grant has offered a scholarship to someone from an underrepresented group.

3. Clean Growth Implications

- 3.1 Two of the commitments relate to businesses undertaking activity which has positive environmental benefits; looking at ways to reduce energy consumption and offering more sustainable green travel options to employees.
- 3.2 To date, 24 businesses have committed to undertaking an energy audit to identify ways to reduce energy, water and waste use and 19 businesses have committed to offering more sustainable green travel options to employees.

4. Financial Implications

- 4.1 There are no financial implications directly arising from this report.

5. Legal Implications

- 5.1 There are no legal implications directly arising from this report.

6. Staffing Implications

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

7. External Consultees

- 7.1 No external consultations have taken place. However, a sub-group of the Overview and Scrutiny Committee has been established with a focus on business grants, including the effectiveness of the inclusive growth criteria. It is also being considered as part of an external evaluation of the BGP, which is currently underway with a full report expected in December 2019.

8. Recommendations

- 8.1 That the Board welcomes the good progress to date on the implementation of the inclusive growth criteria for recipients of business grants.
- 8.2 That the criteria, and associated commitments, continue to be implemented across all business support programmes with grant elements.

9. Background Documents

None.

10. Appendices

Appendix 1 – Revised inclusive growth criteria, effective from 1 July 2019

Appendix 2 – List of LEP grant programmes and their potential contribution to inclusive growth