

**Report to:** Business Economy and Innovation Committee

**Date:** 18 October 2021

**Subject:** **Business Productivity Programme**

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| Is this a key decision?   | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in by Scrutiny?                                       | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information or appendices?               | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1: |   |
| Are there implications for equality and diversity?                                      | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

## 1. Purpose of this report

- 1.1 To seek the input and guidance of the Committee on the design and development of a potential new Business Productivity Programme (BPP).

## 2. Information

### Strategic Fit and Policy Drivers

- 2.1 At their recent meeting in September 2021, the Combined Authority considered the refresh of the West Yorkshire Economic Recovery Plan<sup>1</sup> and endorsed the interlinked Business Productivity and Resilience Plan<sup>2</sup>, which had been led by the former Business Innovation and Growth Panel of the Leeds City Region Enterprise Partnership.

<sup>1</sup> <https://westyorkshire.moderngov.co.uk/documents/s21942/Item%205%20-%20Appendix%201%20-%20Draft%20West%20Yorkshire%20Economic%20Recovery%20Plan.pdf>

<sup>2</sup> <https://westyorkshire.moderngov.co.uk/documents/s21945/Item%206%20-%20Appendix%201%20-%20Draft%20Business%20Productivity%20and%20Resilience%20Plan.pdf>

- 2.2 Across these strategic documents, the importance of business productivity to the recovery and future strong economic performance of West Yorkshire was a central theme, recognising that even before COVID-19 there was an £8.5 billion productivity gap between West Yorkshire and the UK average, impacting on living standards and widening inequalities. This is a challenge that exists at the firm level across sectors and geographies within the region.
- 2.3 Improving business productivity has therefore been highlighted as a key objective of Investment Priority 1 of the West Yorkshire (WY) Strategic Investment Framework is 'Good Jobs and Resilient Businesses'. To achieve this, our future investments into business support will need to respond to the key business behaviours that are recognised to improve productivity as identified in the evidence of the Business Productivity and Resilience Plan, namely:
- Improving strategic decision making and planning
  - Increasing the number of highly skilled managers and staff
  - Increasing adoption of new innovative practices
  - Increasing the value and volume of exports
  - Increasing the prevalence of Good Work
- 2.4 In addition to focussing on those key business behaviours, our future investments in business support will also need to respond to the operating principles of the Strategic Investment Framework, principally: support inclusive growth, our climate emergency ambitions, drive social value, tackle market failure, maximise value for money and provide different kinds of return to the SIF.

### Designing a new Business Productivity Programme

- 2.5 In response to the policy drivers outlined above, and using the intelligence gathered across the Growth Service and with partners on the current conditions for business as we emerge from the dual impacts of COVID-19 restrictions and EU Exit implications, some initial scoping work has taken place on what a new Business Productivity Programme could look like, for which the Committee is asked to provide their views and input. There has also been ongoing consultation with the West Yorkshire Made Smarter Board (private, public and academic sector representation), with the manufacturing alliances active in the sub-region, and with the Economic Development teams of the West Yorkshire Local Authorities.
- 2.6 This scoping work also builds on the lessons learned from the most impactful aspects of current and previous investment and advisory support for SMEs, particularly the Business Growth Programme (BGP), #Grow & #Welcome, the Productivity Pilots, Investment Readiness, Strategic Business Growth and Manufacturing Champions (see footer below for brief descriptions), as

evidenced by external evaluations including on the Local Growth Deal<sup>3</sup>. For example, the need to support SMEs with advice on how to measure and track productivity improvements, the importance and effectiveness of building partnerships with public and private sector organisations, the importance of securing more additionality and less deadweight on grant awards through robust testing of whether investments would progress with or without funding, and the need for a broader set of outcomes, including on Inclusive Growth and Equality and Diversity, to justify public investment (particularly if supported businesses are not intending to create new jobs).

- 2.7 Although it is recognised that the the proposed programme needs to encompass a significant number of new elements to meet the current needs and priorities of the region, the most recent independent evaluation of the BGP does provide some good evidence of possible impact of the new programme. The study, undertaken by Warwick Economics, found that from 2014-2021, 6,225 jobs were created and 1,697 were safeguarded. Furthermore, £41.5m was invested in grants to over 800 businesses, which leveraged over £300m of private sector investment. In terms of outcomes, the evaluation presented strong additionality for the BGP, with 24% of the individual projects not progressing at all without the programme, 33% progressing but on a smaller scale and 36% progressing but over a longer period. The evaluation also stated that the programme resulted in a Net Gross Value Added (GVA) increase of £238 million, and that 82% of businesses reported improvements in productivity and turnover.
- 2.8 The BGP formed a major part of Priority 1 of the Growth Deal for Leeds City Region. A recent independent evaluation of the Growth Deal concluded that for Priority 1, the £60.4 million investment leveraged a further public investment of around £28 million and private investment of around £357 million, meaning the overall value of delivering assets and support to businesses was in the order of £445 million. In addition, it concluded that over the lifetime of the programme, Priority 1 investments will create 4,800 net additional jobs and generate almost £2.5b in net additional GVA. Furthermore, Priority 1 projects are forecast to deliver a benefit cost ratio of 25:1 based on the full public sector cost.
- 2.9 In terms of the impact of programmes that focus primarily on advice for businesses and not just investment, the most recent evaluation of the Strategic Business Growth Programme by RSM provides a good example for

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<sup>3</sup> The BGP provides capital investment grants to businesses linked to job creation, #Grow & #Welcome provide capital investment grants to existing & inward-investing creative & digital businesses, Productivity Pilots 1 & 2 provided capital investment grants to businesses that could demonstrate productivity improvements, Investment Readiness provides businesses with advice & support on how to secure external commercial investment, Strategic Business Growth provides strategic planning advice and investment to high-growth SMEs, Manufacturing Champions provides an intensive package of advisory support, tech-adoption and investment to SME manufacturers with high growth potential

comparison to the above. It reported the following outcomes and impact : - 85% of businesses experienced an increase in sales turnover; 95% of the businesses on-boarded in 2017 have experienced increased turnover and headcount. Furthermore, GVA and exporting impacts based on data collected from a random sample of 75 businesses on the programme indicated an increase in GVA of £16,439,730 and an increase in exporting activity valued at £18,454,781. When extrapolated to cover full programme collection, GVA benefits increased to £72,334,811 and exporting benefits increased to £81,201,036. It is important to stress that these outcomes may not be wholly attributable to the programme.

2.10 Utilising some of those lessons, key parameter questions that are being considered in this scoping include:

- How can public investment best support improved productivity performance of businesses in economic recovery?
- What gaps are there in delivery of support for the business productivity behaviours?
- What does the intelligence from businesses tell us support is most needed for? e.g. advice and guidance, capital investment, revenue-based grant investment.
- How do we measure the impact of a scheme supporting productivity and what conditions would we place on support?
- What conditions of support deliver best value for money and address market failure?
- How does support incorporate equality, diversity and inclusion targets, and ensure that those targets can be met?
- How do we target businesses across our geography that would most benefit from the support, rather than attract those most aware of the public offer?
- How do we best utilise existing infrastructure – including the SME growth managers, business networks and key influencers – to deliver support?

#### Outline idea: Business Productivity Programme (BPP)

2.11 The following bullets set out the framework for a potential scheme, intended only as a further stimulant to the questions above for discussion on a new programme, and based on our ability to specify a programme that may not be subject to the rules or constraints of other funding bodies. The following characteristics, therefore, are for consideration within a new programme:

- A single framework, with clear and direct channels of support and a single application process;
- A framework to maximise the numbers of businesses that can be supported across West Yorkshire, and one that only supports repeat-business that correlates to the different stages of growth for businesses, and/or, the need to effect positive behaviour change;
- A focus on 'searching' for businesses that have been underrepresented in programmes to date. For example, those led by women or people

minority backgrounds, and/or, in sectors that have not been supported previously due to funding criteria e.f. Business-to-Consumer;

- SME Growth Managers to have targets for engaging businesses not previously supported and those led by people from more diverse backgrounds;
- An integrated package of advisory and financial support for SMEs across West Yorkshire to help them improve productivity;
- An advisory element focussed on the measuring, benchmarking and improving of productivity;
- Focussed on searching out SMEs across all sectors with up to 100 staff based in West Yorkshire, with tiered intervention rates linked to the size of business and potential for positive impact on growth, climate and inclusion;
- Financial support with SME grant or loan investment (between £2,500 and £100,000) that supports strategic productivity growth plans primarily for the innovation & adoption of new technologies and introduction of enhanced business processes, reduce carbon emissions and the securing of Inclusive Growth contributions;
- Businesses in receipt of investment supported to join the 'Fair Work Charter', pay the Real Living Wage and attain quality / industry accreditations. Measures to support inclusive growth to be a part of every award and to be reflected in the programme's targets;
- Provide direct access to advice and funding on resource/energy efficiency, recycling & reuse, sustainable & active travel, exporting (new, novice and more experienced) and strategic business planning for growth;
- Active engagement with networks, intermediaries in the private, academic and third sectors and key influencers to raise awareness and take-up of the programme from equality groups, particularly ethnic minority and female-led SMEs, and
- Utilise a mixed delivery model with CA staff undertaking grant-appraisal, service & contract management and quality assurance, with SME Growth Managers employed by the Local Authorities providing client-engagement, account-management and referral routes into the programme, and with the private and/or academic sectors providing procured technical expertise on benchmarking and measuring productivity, and on implementing new processes.

### Next Steps

- 2.12 The Committee's views on the features of the new programme and its proposed delivery are welcomed. The received views and comments will support the ongoing development of a strategic outline business case that will be used to try to secure funding for delivery from April 2022 onwards.

## **3. Tackling the Climate Emergency Implications**

- 3.1 The BPP would aim to support SMEs to invest in new digital technology that will improve efficiency and reduce carbon emissions and waste. It would also provide SMEs with direct access to expert advice and guidance on recycling and reuse, energy efficiency and sustainable / active travel. In addition, the BPP would aim to support SMEs to look at the sustainability and diversity of their supply chains (which could reduce carbon emissions and improve footprints) and, where appropriate, implement circular economy principles.

#### **4. Inclusive Growth Implications**

- 4.1 It is proposed that SMEs awarded grants of over £25k would be required as a condition of their funding agreements to commit to at least one Inclusive Growth (IG) contribution, and those that are awarded grants of below £25k would be encouraged and supported to do so. Examples of IG contributions could include, upskilling lowest paid employees, providing work placements for people disadvantaged in the labour market, working actively with a local school to inspire the future generation of employees, and implementing sustainable / active travel projects for staff. In addition, all SMEs supported by the BPP could be encouraged to attain the Fair Work Charter and pay staff at least the Real Living Wage.
- 4.2 Active engagement with networks, intermediaries from the private and third sectors and key influencers will be undertaken to raise awareness and take-up of the programme from a more diverse range of businesses, including those led by equality groups and those not previously supported by the CA / LEP. For example, ongoing work with the Yorkshire Asian Business Association (YABA) and the Asian Standard, and engagement with the BAME Committee of the West & North Yorkshire Chamber of Commerce and the Women in Business initiative.

#### **5. Equality and Diversity Implications**

- 5.1 The programme would be promoted to all businesses in West Yorkshire, particularly those that have not previously engaged with business support available from the CA / LEP and the wider public sector. This would be aided by ongoing engagement with key business networks and initiatives, such as the Women in Enterprise initiative, the Yorkshire Asian Business Association and the BAME Committee of the West & North Yorkshire Chamber of Commerce. The support would also be proactively promoted via such vehicles as the Asian Standard publication and several radio stations with good reach into equality groups. It would also continue to build strong and trusted working relationships with key influencers who have access to businesses from certain ethnic minority backgrounds.

#### **6. Financial Implications**

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

#### **7. Legal Implications**

7.1 There are no current legal implications directly arising from this report, although legal advice would be required in relation to the new UK Subsidy Controls framework.

## **8. Staffing Implications**

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

## **9. External Consultees**

9.1 Previous consultation with the former Business Innovation and Growth Panel and the Business Investment Panel have influenced early-stage work on a potential BPP.

## **10. Recommendations**

10.1 That the Committee provides input to the potential for a new Business Productivity Programme (BPP), in particular providing views on the points and questions outlined at 2.7 and 2.8.

## **11. Background Documents**

None.

## **12. Appendices**

None