

Section A: Scheme Summary

Name of Scheme:	Business Productivity Programme
Location of Scheme:	Leeds City Region
Lead Organisation:	West Yorkshire Combined Authority
Applicable Funding Stream(s) – Grant or Loan:	Single Investment Fund – Grant
Growth Fund Priority Area (if applicable):	Not applicable
Combined Authority approvals to date:	Decision point 1 (Strategic Assessment) approval 19 August 2021
Forecasted Full Approval Date (Decision Point 4):	17 March 2022
Forecasted Completion Date (Decision Point 5):	30 June 2023
Total Scheme Cost for the preferred way forward (£):	£4,500,000
WYCA Funding (£):	£4,500,000
Total other public sector investment (£):	£0
Total other private sector investment (£):	£0

Is this a standalone Project?	Yes
Is this a Programme?	Yes
Is this Project part of an agreed Programme?	No

A.1

Scheme Description

The proposed three-year programme aims to build on the two productivity pilots undertaken in 2019 and 2020 and will contribute towards narrowing the productivity gap between Leeds City Region and other parts of the United Kingdom, by focussing on increasing productivity at business level.

The Business Productivity Programme (BPP) aims to provide an integrated package of financial grants alongside specialist advisory support to SME's (open to all sectors but expected that engagement will

be high from the Manufacturing Sector and priority given to those with >50 employees) to boost productivity, upskill existing staff, create new jobs and contribute to Inclusive Growth.

The scheme is to be funded by Gainshare IP1 up until the end of June 2023, with the aim to then bid for UK Shared Prosperity Fund (SPF) monies to fund the remainder of the programme (up to end of March 2025) once there is more clarity on the criteria and application process for this funding stream.

The programme will help businesses to make effective plans for productivity improvements. Specialist advisory support will be available to businesses to diagnose and advise them on ways to effectively measure their productivity and where investments in new technologies might be required to speed up improvements.

Financial support of between £5,000 and £100,000 per business, will be available and will focus on supporting businesses which have clear strategic growth plans, which can demonstrate that the adoption of new technologies will lead to an increase in productivity, the upskilling of existing staff and/or the creation of new 'Good Jobs'.

Support will be available to SMEs (including co-operatives and social enterprises) with up to 100 employees. Priority will be given to businesses with less than 50 employees). The availability of financial support will accelerate and de-risk the adoption of this technology.

A.2 Business Case Summary

Strategic Case

The programme will provide an integrated package of specialist advisory and financial support to businesses, which responds directly to Investment Priority 1 of the West Yorkshire Investment Strategy (WYIS) in relation to Good Jobs and Resilient Businesses and will contribute to West Yorkshire's economic recovery. The programme seeks to address the business behaviours and productivity challenges which contribute to West Yorkshire businesses performing below the UK average.

Productivity is complex and is influenced by many factors, therefore SMEs do not always have the right information or access to expertise, to take the right steps to improve their productivity. The programme aims to provide SMEs with the information needed to help improve their productivity, rather than taking action which may not be right for their business or deciding to do nothing at all.

When a business knows what it needs to do to improve its productivity, providers of finance find it difficult to assess and therefore offer appropriate funding, thereby constraining potential productivity improvements. The programme seeks to address this issue by providing access to capital grants that can de-risk investments for other financial providers.

Both SMEs and finance providers can undervalue the wider impact of investing in productivity, which includes boosting innovation, raising skill levels, increasing employment, and contributing to improved living standards. The programme looks to address this issue through the provision of grant support that can realise benefits for supported businesses.

Job creation, upskilling, and safeguarding is also identified as a key challenge within the WYIS Investment Priority 1, and the programme is intending to deliver key outputs including jobs paying the Real Living Wage or above.

The programme also aligns with and / or contributes to several of the Mayor's priorities:

- Support local businesses and be a champion for our regional economy.
- Create 1,000 well paid, skilled jobs for young people.
- Tackle the climate emergency and protect our environment.
- Prioritise skills and training so everyone in West Yorkshire has the skills they need to secure work.

The programme will support investment in innovative technologies which will replace older technologies that use more energy and create more waste. A key part of the project appraisal will be to consider the environmental implications of the proposed investments. Projects that have a negative environmental

impact will not be supported through the programme, and those that will deliver positive environmental impacts will be prioritised.

It is proposed that all businesses accessing grant support through the programme will be supported to undertake inclusive growth commitments, for the benefit of their employees and / or the local community.

The programme will aim to support businesses in West Yorkshire's most deprived communities, and support businesses owned by people from under-represented groups, including women and those from different ethnic minority backgrounds. All businesses will be asked to complete Equality, Diversity and Inclusion monitoring information, including the gender and ethnicity of business owners, which will be used to actively market the programme to groups where there is low take up.

Economic Case

There is robust evidence that the provision of grant funding to SMEs for capital related investments has strong links to job creation and economic growth. Evidence from the Combined Authority's Business Growth Programme (BGP) evaluation (2015 - 2019) indicates that 6,225 actual and contracted gross new jobs were created for public sector investment of just over £34,000,000 during the period. and an increase in Gross Value Added of £238,000,000. This highlights the opportunity of a scheme supporting capital investments in businesses to result in further job creation as well as safeguarding and upskilling. Similarly, the 2021 independent impact evaluation of the Growth Deal (of which the BGP was a part) identified support provided to businesses as delivering significant numbers of net additional jobs and stimulating additional private sector investment totalling £357,000,000, with total capital investment reaching £445,000,000.

The programme would deliver numerous short to longer term outcomes, including creating new job opportunities and upskilling existing staff; increased output per hour worked (productivity); increasing productivity, which would contribute towards narrowing the gap between the City Region and the rest of the UK and support the move to a low carbon economy, through adoption of new technologies and a reduction in waste. The programme also has the potential to identify and implement new, effective and meaningful ways for SMEs to measure productivity at business level.

Analysis of businesses that have engaged with business support provision via the LEP from April to September 2021 shows that 33% were from areas in the 20% most deprived areas in the UK based on the Index of Multiple Deprivation. The figures for some programmes (including the BGP) were even higher at circa 40%. Deprivation and business engagement data by district shows further differences with 55% of businesses supported in Bradford being from the 20% most deprived areas nationally. Figures in Kirklees and Calderdale were at 42% and 45% respectively.

With a high proportion (over 75%) of supported businesses through the BPP expected to be from the manufacturing sector, their typical geographical distribution on business parks and in lower income areas, will mean that disadvantaged communities will proportionately see more benefit than those in less deprived areas.

Commercial Case

The need for SMEs to be supported with productivity improvements, growth, upskilling and access to finance in the Leeds City Region is evident from both the continued low levels of business productivity in the region and by the ongoing high demand for support with capital expenditure investments linked to wider improvement plans for businesses. This demonstrates that the activity to be delivered via this programme requires public sector investment and is not an area that the private commercial sector, or indeed third sector, can or will invest in without some degree of public subsidy. This is because the potential beneficiaries are not in a position to contribute financially to the degree needed to overhaul productivity and invest in new cleaner technologies which obviously adds to the commercial case for public intervention. In other words, although there is a demand for productivity, financial and growth support services, there is a lack of support available without programmes such as this one.

The programme will be delivered by a mix of public and private sector organisations. Those elements that are most suited to delivery by the private or third sector will be openly procured in accordance with the Combined Authority's procurement policy. Value for money will be a key consideration in the procurement of all delivery partners and activities. The Combined Authority will procure, and contract manage the grant applications, funding agreements and monitoring of projects through site visits and regular scheduled contact with the SMEs.

A further key consideration is that the available funding is allocated to directly support SME's financially to improve productivity and increase good growth and upskilling. There is also added value beyond the contracted outputs which assist in driving the commercial case e.g., Environmental benefits associated with adoption of the latest, more efficient, technologies; create/upskill a minimum of 1,500 'Good Jobs' and disadvantaged communities will proportionately see more benefit than those in less deprived areas.

Through the programme, the overhead/management/delivery costs within the CA will be kept to within 10% of the overall budget.

Financial Case

The forecasted total scheme costs are £4,500,000. The request of Combined Authority contribution to the total scheme costs at this decision point is £4,500,000 allocated from Gainshare. This £4,500,000 is to get the programme up and running and to cover costs until June 2023, at which point, the programme will bid for UK Shared Prosperity Fund (SPF) monies to fund the remainder of the programme.

The funding profile of the programme has been informed by previous commissioning of contractors for similar works and delivery of similar schemes/programmes within the City Region led by the Leeds City Region Enterprise Partnership. The funding profile is inclusive of overhead/management/delivery costs, procurement of private advisory support, programme evaluations and capital grants for SMEs.

Management Case

The programme builds on the former Business Growth Programme and its years of successful delivery. The programme will be managed by a team of business support professionals with extensive experience of managing programmes of this scale and nature. Established and robust processes and procedures are already in place.

Contracted delivery partners will deliver the advisory side of the programme following their procurement. Monitoring of funding agreements and outputs will be overseen by the Combined Authority's programme management team. The mid-programme evaluation and end of programme evaluation will be carried out by a procured third-party contractor.