
Report to: West Yorkshire Combined Authority

Date: 2 February 2023

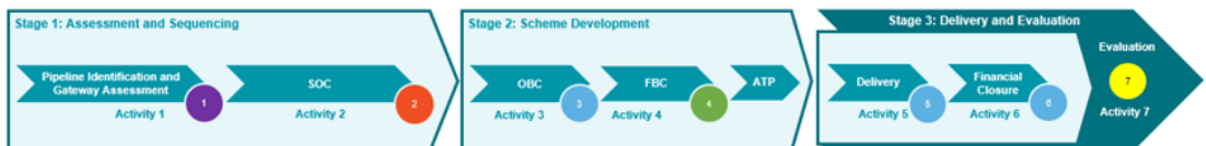
Subject: Project Approvals - Investment Priority 1 – Good Jobs and Resilient Businesses (including entrepreneurialism)

Director: Phil Witcherley, Interim Director, Inclusive Economy, Skills & Culture

Author: Craig Taylor, Head of Portfolio Management and Appraisal

1 Purpose of this report

- 1.1 To report on proposals for the progression of, and funding for projects under Investment Priority 1 – Good Jobs and Resilient Businesses (including entrepreneurialism), within the West Yorkshire Investment Strategy (WYIS), that have been considered at stages 1, 2 and 3 of the Combined Authority's assurance process.



- 1.2 The recommendations can be found in Section 12 of this report.

2 Report

- 2.1 This report presents proposals for the progression of schemes through the Combined Authority's assurance process in line with the Combined Authority's Assurance Framework. Further details on the schemes summarised below can be found as part of this report.
- 2.2 For more detail on the Combined Authority's Assurance Framework through which each of the schemes outlined in this report are being approved is provided in **Appendix 1**.

3 Investment Priority 1 – Good Jobs and Resilient Businesses (including entrepreneurialism)

- 3.1 The West Yorkshire Investment Strategy (WYIS) sets out the Investment Priorities for the period 1 April 2021 to 31 March 2024 across six areas. In

each, a number of priority project / programme areas have been identified that are the focus for intervention.

3.2 Investment Priority 1 will deliver a range of programmes and schemes which focus on:

- Creating good work
- Supporting businesses to innovate and export.
- Creating resilient supply chains.
- Increasing the size of the West Yorkshire business base
- Reducing levels of deprivation.
- Safeguarding jobs and create new job opportunities.
- Connecting vulnerable groups and deprived communities to economic opportunity.

Scheme summaries

<p>High Growth Enterprise Programme West Yorkshire</p>	<p>Scheme description</p> <p>This scheme will provide support to new businesses in their early years. Eligible schemes, ranging from those at start up to under three years old across the West Yorkshire region, will be able to access a range of support, including financial loans or grants, targeted business advice and support. This scheme will build on the achievements and lessons of the existing Ad:Venture Programme.</p> <p>The scheme is to be delivered through the gainshare funding for Investment Priority 1 - Good Jobs and Resilient Businesses.</p> <p>Impact</p> <p>The scheme will support up to 2,400 businesses over 3 years, including approximately 12,000 hours of advice and 386 cases of financial intervention with the target of creating up to 610 jobs.</p> <p>In addition to supporting existing businesses in their early years, this scheme aims to facilitate an increase in the number of new business start-ups in West Yorkshire by 100 and to set further targets for increasing 1-year business survival rates.</p> <p>The scheme is expected to deliver good value for money.</p> <p>Decision sought</p> <p>Approval to proceed through decision point 2 to 4 (Business Justification) and work commences on activity 5 (Delivery).</p> <p>Total value of the scheme - £10,352,563</p> <p>Total value of Combined Authority funding - £5,000,000</p> <p>Funding recommendation sought - £5,000,000</p> <p>A decision by the Combined Authority is sought as part of this report</p>
---	---

<p>Digital Enterprise West Yorkshire</p>	<p>Scheme description</p> <p>The scheme will provide growth and scale up opportunities to Small and Mediums Sized Enterprises (SMEs) through investing in digital technologies.</p> <p>The scheme will improve access to digital infrastructure, improving access and take up of digital facilities and online services, promotion of digital security and productivity which are outlined in the West Yorkshire Investment Strategy as priority areas for investment to support SME (Small to Medium sized Enterprises) businesses. The Digital Enterprise programme contributes towards these priorities through the Digital Growth and Connectivity Voucher schemes, allowing businesses to upgrade the speed and reliability of their broadband connection, invest in IT and improve cybersecurity. Increased uptake of digital services will improve the range of options made available by suppliers, particularly in less well served districts.</p> <p>The scheme is to be delivered through the UK Shared Prosperity Fund (UKSPF).</p> <p>Impact</p> <p>Digital Enterprise helps to fund adoption of a wide range of technologies that are constantly advancing, and continuously facilitating efficiency and waste reduction. Examples range from the most basic level of enabling a paperless office, to implementing cloud data storage, which uses far less energy than traditional servers; solutions improving connectivity and communications; removing the need to travel through videoconferencing and remote working solutions; development of interactive websites and ecommerce facilities to open up new markets, through to using delivery mapping technology that optimises vehicle routes to reduce journeys and therefore carbon emissions.</p> <p>The scheme is expected to offer high value for money.</p> <p>Decision sought</p> <p>Approval to proceed through decision point 2 to 4 (business justification) and work commences on activity 5 (delivery).</p> <p>Total value of the scheme - £8,686,772</p> <p>Total value of Combined Authority funding - £4,676,147</p> <p>Funding recommendation sought - £4,676,147</p> <p>A decision by the Combined Authority is sought as part of this report</p>
---	--

4 Information

- 4.1 The Combined Authority's assurance framework requires that formal approval is given to the following elements of a scheme as part of its development:
- The progression of a scheme through a decision point to the next activity.
 - Indicative or full approval to the total value of the scheme funding requested.
 - The Combined Authority's entry into a funding agreement with the scheme's promoter.
 - The assurance pathway and approval route for future decision points.
 - The scheme's approval tolerances.
- 4.2 This report provides information required to enable the Combined Authority to approve each of the above elements.

Projects in Stage 1: Assessment and Sequencing

- 4.3 There are no schemes to review at this stage.

Projects in Stage 2: Scheme development

Project Title	High Growth Enterprise Programme
Stage	2 (scheme development)
Decision Point	2,3 and 4 (business justification)

Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes	<input 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

Background

- 4.4 The scheme will provide enterprise support to start-up businesses and firms under three years old across West Yorkshire. The programme will seek to contribute to tackling three areas of market failure: low business birth rate, business survival rates and access to finance. It will do this by providing information, diagnostic and brokerage support to businesses, access to training, and provide financial assistance through access to loans and grants to stimulate investment and create jobs.
- 4.5 The scheme has been developed based on learning from the existing Ad:Venture Programme. A review of the existing Ad:Venture Programme (May 2022) concluded that Ad:Venture fills a clear gap in the business support landscape, and an earlier review (January 2022) concluded that targeted advice for start-ups is limited in the region, and that Ad:Venture was effective at engaging individuals that are under-represented in publicly funded business support.
- 4.6 The scheme will deliver against the 'levelling up' agenda by increasing productivity and will contribute to the Mayoral Pledges: to create well-paid skilled jobs for young people, to support local businesses, and to prioritise skills and training.
- 4.7 The scheme is seeking £5,000,000 from the Combined Authority's Gainshare allocation for Investment Priority 1 - Good Jobs and Resilient Businesses to boost productivity by helping businesses grow and invest in the region and their workforce, driving economic growth, increasing innovation, and creating jobs.
- 4.8 A summary of the scheme's business case is included in **Appendix 2**.

Tackling the Climate Emergency Implications

- 4.9 Each business that receives support through the programme will be encouraged to engage with the Combined Authority's clean growth programmes that can provide them with advice and support on active and sustainable travel, reducing energy use and carbon emissions, and ways to improve recycling and reuse. Further funding can then be made available to support businesses to implement changes.
- 4.10 A Stage 2 Carbon Impact Assessment has been submitted for the scheme. With the scheme, businesses will be supported to develop and grow, meaning more employment opportunities for people living in West Yorkshire. Although this could mean a small increase in emissions, the programme is aimed at young businesses that are less likely to have a significant impact due to their size. Further to this, the programme will link businesses to clean growth programmes, and therefore could have a positive impact on emissions.

Outputs and Benefits

- 4.11 The scheme outputs and benefits include:
- The scheme will support 2,400 businesses in the 3-year programme.
 - 12,000 hours of advice will be delivered.
 - Up to 610 jobs will be created.
 - 200 loans will be awarded (totalling £5,000,000) at an average of £25,000 per loan.
 - 186 grants will be awarded (totalling £1,400,000) at an average of 7,500 per loan.
 - The scheme will achieve 386 financial interventions.
 - The scheme will achieve a private sector match based on £1 levered in for every £1 of grant or loan awarded, totalling £6.4 million
 - The Prince's Trust will deliver an output of 450 potential entrepreneurs being assisted to be enterprise ready.
 - The Prince's Trust will deliver assistance to 50 start-ups.
 - Clients surviving at 12 and 24 months will be monitored, however fixed targets have not yet been set for these outputs due to fluctuations in the state of the economy.
- 4.12 The scheme is expected to offer good value for money. The cost of a single business being supported has been calculated as being £4,314.00. As a comparison, the forecasted unit cost for "enterprises supported" on the ERDF-funded Tees Valley Business Start-up programme, that was mentioned in AD:Venture's independent Grant Review in March 2022, is £11,205.60.

Inclusive Growth Implications

- 4.13 The scheme inclusive growth implications include:

- The scheme will enable disadvantaged groups to access business support, including for those that have been adversely impacted by the pandemic such as retailers and firms in the hospitality and leisure sector and clients located in town centres.
- Support will be provided for businesses that can demonstrate growth potential and limited displacement (businesses moving from one area to another). This was a recommendation that came out of the assessment of the existing Ad:Venture programme.
- The scheme will provide support to growing businesses and boost young businesses, including those owned by people from disadvantaged groups and deprived neighbourhoods.

Equality and Diversity Implications

- 4.14 An Equality Impact Assessment (EqIA) has been undertaken for the scheme and equality and diversity impacts taken account of as part of the development of the scheme and the business case development.
- 4.15 All partners working on the scheme are aware of the requirement to increase engagement and effectiveness of support to female, ethnic minorities, and disabled entrepreneurs, and to other disadvantaged groups. Research has provided baselines and progress will be monitored through the programme case management system so actions can be taken accordingly.
- 4.16 A grant and Equality, Diversity and Inclusion review of the existing programme (January 2022) concluded that Ad:Venture was “effective at engaging individuals that tend to be under-represented in publicly funded business support”.

Risks

- 4.17 Key scheme risks include:
- Risk of the extension of the programme to include business to consumer businesses not being successful. Mitigation - the programme team will work closely with the Combined Authority and partners to deliver the programme, and to define eligibility criteria for businesses to ensure economic impact and value for money.
 - Economy going into recession, leading to lower job creation, and impacting on output targets being achieved. The service team is experienced in adapting to changing economic conditions and targets are realistic, based on the existing programme which has been successful through a number of economic challenges.

Costs

- 4.18 The total scheme cost is £10,352,563, seeking £5,000,000 from the Combined Authority’s Gainshare Fund. A funding agreement will be entered into between The Combined Authority and Leeds City Council for expenditure of up to £5,000,000.

4.19 The remaining funding is:

- £5,000,000 loan fund from The Business Enterprise Fund (BEF).
- £85,781 contribution from District Councils towards salary costs.
- £266,782 contribution from The Prince's Trust.
- Match contributions from private sector for grants received.

Assurance Pathway and Approval Route

Assurance pathway	Approval route	Forecast approval date
2 to 4 (Business Justification)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority	02/02/2023
5 (delivery closure)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Chief Operating Officer	31/03/2026

Other Key Timescales

4.20 Other key timescales are:

- Delivery of the new programme will begin on 01 April 2023.
- The interim evaluation of the programme will take place by 30 September 2024.
- The final evaluation of the programme will take place by 30 November 2025.
- Delivery closure will complete 31 March 2026.

Assurance Tolerances

Assurance tolerances
Combined Authority costs remain within 10% of those outlined in this report Delivery timescales remain within 3 months of those outlined in this report. Outputs remain within -10% of those outlined in this report.

Appraisal Summary

- 4.21 There is a strong strategic case for the programme, aligning to the Mayoral Pledges, and the scheme fills a gap in provision of support to young and start-up businesses.
- 4.22 The programme has been developed through learning from the existing programme and has been designed to fit with a reduction in access to funding.

- 4.23 The programme and delivery team are experienced in implementing and delivering programmes of this nature.
- 4.24 Additional programme documents, such as an Evaluation Plan, will be developed by Leeds City Council in collaboration with the Combined Authority during mobilisation phases of the new programme.

Recommendations

- 4.25 The Combined Authority, subject to the conditions set by the Programme Appraisal Team, approves that:
- (i) The High Growth Enterprise scheme proceeds through decision point 2 to 4 (Business Justification) and work commences on activity 5 (Delivery).
 - (ii) Approval to the Combined Authority's contribution of £5,000,000. The total scheme value is £10,352,563.
 - (iii) The Combined Authority enters into a Funding Agreement with Leeds City Council for expenditure of up to £5,000,000.
 - (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report, any change requests are delegated to the Business, Economy and Innovation Committee. This will be subject to the scheme remaining within the tolerances outlined in this report.

Project Title	Digital Enterprise
Stage	2 (scheme development)
Decision Point	2,3 and 4 (business justification)

Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes	<input 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

Background

- 4.26 The UK Shared Prosperity Fund (UKSPF) was launched in April 2022. The UKSPF will support the UK government’s wider commitment to level up all parts of the UK by delivering on each of the levelling up objectives:
- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging.
 - Spread opportunities and improve public services, especially in those places where they are weakest.
 - Restore a sense of community, local pride and belonging, especially in those places where they have been lost.
 - Empower local leaders and communities, especially in those places lacking local agency.
- 4.27 UKSPF is the Government’s successor to the ESIF programme, aiming to “build pride in place and increase life chances across the UK” through three investment priorities/pillars:
- Communities and place.
 - Supporting local business.
 - People and skills.
- 4.28 The Digital Enterprise Programme started in 2016. The programme has been funded to date by ERDF (European Regional Development Fund) along with contributions from Local Authorities within West Yorkshire. The current programme is due to end in June 2023. There is a clear need for the continuation of support to SMEs and due to the programme ending in June 2023, applications for grants will cease from the end of March 2023. As supported by the West Yorkshire Local Partnership Group, UKSPF has been

identified as funding to support the continuation of the programme to provide support to SMEs throughout the West Yorkshire.

4.29 The main objectives of the programme include:

- Deliver Level 1 grant funding of up to 50% or maximum £10,000 for approximately 450 capital investment digital transformation projects, which will be available to all sectors (including business to consumer organisations, in line with West Yorkshire Business Support policy).
- Support a limited number (approximately 30) complex, high value and high impact projects worth between £25,000- £100,000, with grants being available for up to 50% of the project value and capped at £35,000. This includes intensive advisor support in scoping projects and assessing alternative solutions, including tender compliance.

4.30 The programme aligns with the Mayoral priorities to:

- Support local businesses and be a champion for our local economy; the current programme has provided support to almost 1,400 SMEs in West Yorkshire since 2019, allowing them to grow and scale up through investing in digital technologies. In addition, the programme is a champion for the local economy with its annual flagship TOP 100 campaign, recognising one hundred of the most digitally innovative, transformative, and resilient businesses in West Yorkshire.
- Create 1,000 well paid, skilled, green jobs for young people; the Programme supports individual business embracing digitalisation, and also stimulates demand for local suppliers of digital and creative services.

4.31 A summary of the scheme's business case is included in **Appendix 3**.

Tackling the Climate Emergency Implications

4.32 Digital Enterprise helps to fund adoption of a wide range of technologies that are constantly advancing, and continuously facilitating efficiency and waste reduction. Examples range from the most basic level of enabling a paperless office, to implementing cloud data storage, which uses far less energy than traditional servers; solutions improving connectivity and communications, removing the need to travel through videoconferencing and remote working solutions, through to using delivery mapping technology that optimises vehicle routes, reducing journeys and therefore carbon emissions.

4.33 A Stage 2 Carbon Impact Assessment has been submitted. With the scheme, businesses will be supported to develop and grow, meaning more employment opportunities for people living in West Yorkshire. Although this could mean a small increase in emissions, overall, the scheme is viewed as having a beneficial impact; Digital Enterprise has previously supported numerous projects which have had a positive carbon impact, for example by supporting the shift of offices to being paperless.

Outputs and Benefits

4.34 The project will deliver against the following UKSPF interventions which will result in the following outputs and outcomes being delivered by March 2025:

E24: Training hubs, business support offers, incubators & accelerators

- Number of businesses receiving grant – 480.
- Number of enterprises receiving non-financial support – 240.
- Jobs created as a result of support – 120.
- Number of enterprises adopting new or improved products or services – 120.
- Number of enterprises adopting new to the firm technologies or processes – 120.
- Increased amount of investment through match funding from businesses - £4,010,625.
- To provide support to enterprises, 20% of which are located in the 20% most deprived areas of West Yorkshire by March 2025. Leeds City Council will need to measure and report on Equality, Diversity and Inclusion in line with the Combined Authority's UKSPF Indicator guidance for West Yorkshire.

4.35 The preferred option is expected to deliver high value for money. The cost per 'intensive' assist to a business is estimated at £9,742, comparing favourably with costs for similar business support programmes. In 2013 an economic development consultancy estimated that the median unit cost for 'medium intensity' business support programmes funded through the European Regional Development Fund was £10,000. After allowing for inflation, the Digital Enterprise unit costs are approximately 76% of the median unit costs set in 2013. The preferred option is therefore expected to deliver high value for money."

Inclusive Growth Implications

4.36 Businesses that receive grant funding from Digital Enterprise will be supported by the Digital Growth Advisor team to make a voluntary inclusive growth commitment. Digital Enterprise will aim for 20% of SMEs (small to medium sized enterprises) on the programme to be based in or in close proximity to deprived communities across West Yorkshire.

Equality and Diversity Implications

4.37 An Equality Impact Assessment (EqIA) has been undertaken for the scheme and equality and diversity impacts taken account of as part of the development of the scheme and the business case development. EDI will be monitored as part of the UKSPF monitoring and evaluation contractual requirements.

Risks

4.38 A key scheme risk is:

- Failure to meet outputs due to tight timescales. This is mitigated by ensuring the scheme delivery timeframes are monitored and key planning activities undertaken prior to commencing delivery.

Costs

- 4.39 The total scheme costs are £8,686,772.
- 4.40 The Combined Authority's contribution is £4,676,147 from the UK Shared Prosperity Fund.
- 4.41 The remaining funding is £4,010,625 of private sector match funding.
- 4.42 The Combined Authority will need to enter into a funding agreement with Leeds City Council for expenditure of up to £4,676,147 from the UK Shared Prosperity Fund.

Assurance Pathway and Approval Route

Assurance pathway	Approval route	Forecast approval date
2 to 4 (Business Justification)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority	02/02/2023
5 (delivery)	Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Chief Operating Officer	31/03/2025

Other Key Timescales

- 4.43 This scheme will start delivery in July 2023 and be completed by 31 March 2025.

Assurance Tolerances

Assurance tolerances
<p>Combined Authority costs remain within those outlined in this report.</p> <p>Delivery (DP5) timescales to be completed by 31st March 2025 in line with UKSPF requirements.</p> <p>Output tolerances will be set for all schemes within the Funding Agreement and in line with those set out by Government UK Shared Prosperity Fund technical guidance.</p>

Appraisal Summary

- 4.44 There are strong strategic drivers for re-investment into the Digital Enterprise programme, evidenced through the successes of the existing programme. The existing programme has supported over 3,000 businesses, being a vital source of specialist impartial advice and grant funding for SMEs seeking to

invest in digital technology and improve resilience, productivity and growth. Renewal of the programme and making improvements to the programme in line with delivery experience, will further support the West Yorkshire Investment Priorities, and will contribute to the Mayoral Pledges to support local businesses and job creation for young people.

- 4.45 The aim of the programme is to use innovation and technology to boost business productivity in SMEs in line with the UK Industrial Strategy thereby helping to provide the conditions for a sustainable improvement to earnings in the economy. Recent research produced on the UK's Regional Digital Ecosystems have identified over £40 billion of additional growth UK wide which could be delivered through growing the Digital Economy. The Digital Enterprise Programme meets a range of objectives set out in national, regional and local strategies such as the recently approved West Yorkshire Digital Skills Plan.

Recommendations

- 4.46 The Combined Authority approves that:
- (i) The Digital Enterprise scheme proceeds through decision point 2 to 4 (business justification) and work commences on activity 5 (delivery).
 - (ii) Approval to the Combined Authority's contribution of £4,676,147 is given. The total scheme cost is £8,686,772.
 - (iii) The Combined Authority enters into a Funding Agreement with Leeds City Council for expenditure of up to £4,676,147.
 - (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report, any change requests are delegated to the Finance, Corporate and Resources Committee. This will be subject to the scheme remaining within the tolerances outlined in this report.

Projects in Stage 3: Delivery and Evaluation

- 4.47 There are no schemes to review at this stage.

5 Tackling the Climate Emergency implications

- 5.1 The Climate Emergency implications have been considered on all projects included in this report as part of their business case development.

6 Inclusive Growth implications

- 6.1 The inclusive growth implications have been considered on all projects included in this report as part of their business case development.

7 Equality and Diversity implications

- 7.1 Equality Impact Assessments (EQIA) have been undertaken on all projects included in this report as part of their business case development.

8 Financial implications

- 8.1 The report seeks endorsement to expenditure from the available Combined Authority funding as set out in this report.

9 Legal implications

- 9.1 The payment of funding to any recipient will be subject to a funding agreement being in place between the Combined Authority and the organisation in question.

10 Staffing implications

- 10.1 A combination of Combined Authority and local partner council project, programme and portfolio management resources are or are in the process of being identified and costed for within the schemes in this report.

11 External consultees

- 11.1 Where applicable scheme promoters have been consulted on the content of this report.

12 Recommendations (Summary)

High Growth Enterprise Programme

- 12.1 The Combined Authority, subject to the conditions set by the Programme Appraisal Team, approves that:
- (i) The High Growth Enterprise scheme proceeds through decision point 2 to 4 (Business Justification) and work commences on activity 5 (Delivery).
 - (ii) Approval to the Combined Authority's contribution of £5,000,000. The total scheme value is £10,352,563.
 - (iii) The Combined Authority enters into a Funding Agreement with Leeds City Council for expenditure of up to £5,000,000.
 - (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report, any change requests are delegated to the Business, Economy and Innovation Committee. This will be subject to the scheme remaining within the tolerances outlined in this report.

Digital Enterprise

- 12.2 The Combined Authority approves that:
- (i) The Digital Enterprise scheme proceeds through decision point 2 to 4 (business justification) and work commences on activity 5 (delivery).
 - (ii) Approval to the Combined Authority's contribution of £4,676,147 is given. The total scheme cost is £8,686,772.

- (iii) The Combined Authority enters into a Funding Agreement with Leeds City Council for expenditure of up to £4,676,147.
- (iv) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report, any change requests are delegated to the Finance, Corporate and Resources Committee. This will be subject to the scheme remaining within the tolerances outlined in this report.

13 Background Documents

13.1 None as part of this report.

14 Appendices

Appendix 1 - Background to the Combined Authority's Assurance Framework.

Appendix 2 – High Growth Enterprise Programme Business Case Summary.

Appendix 3 – Digital Enterprise Business Case Summary.