
Report to: West Yorkshire Combined Authority

Date: 16 March 2023

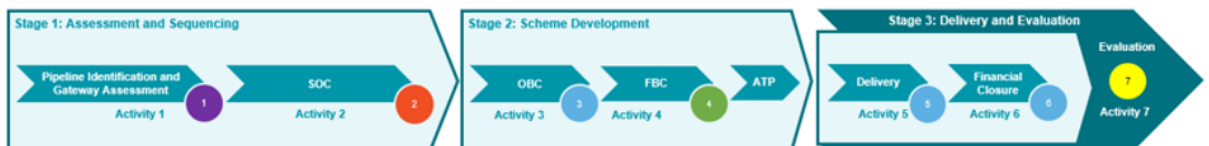
Subject: Project Approvals - Investment Priority 1 – Good Jobs and Resilient Businesses (including entrepreneurialism)

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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>Business Productivity Programme West Yorkshire</p> | <p><u>Scheme description</u></p> <p>The Business Productivity Programme (BPP) aims to boost small and medium sized enterprises' (SMEs) productivity by providing financial and advisory support.</p> <p>It aims to provide specialist advice to a minimum of 283 businesses, 205 of which will also receive financial support through grant investment. Carbon reduction considerations will be included in all grant appraisals and there will be a focus on engaging with a more diverse range of SMEs, including those not previously supported by the Combined Authority.</p> <p>The financial and advisory support will enable businesses to boost productivity, 'scale-up' and create 'Good Jobs' by upskilling existing employees or creating new jobs that pay at least the Real Living Wage.</p> <p>This scheme will be funded from the Single Investment Fund (SIF), specifically the gainshare allocation for Investment Priority 1 and UK Shared Prosperity Fund (UKSPF).</p> <p><u>Impact</u></p> <p>The project will support businesses to grow, improve productivity and deliver 'Good Jobs', by creating new ones and / or upskilling existing employees.</p> <p>The scheme aims to increase SMEs' productivity by introducing newer, more efficient, and environmentally friendly technologies and operating techniques.</p> <p>Specialist advisory support will help upskill existing staff, provide new 'Good Jobs' and support businesses to contribute to inclusive growth, for example, by engaging with local schools, social enterprises or other third sector organisations, and/or, recruiting apprentices from groups who are disadvantaged in the employment market.</p> <p><u>Decision sought</u></p> <p>A decision was made previously by the Combined Authority to allocate an initial £4,500,000 from Gainshare to this programme. This change request is for approval of £3,500,000 of UKSPF funding to replace £3,500,000 of the gainshare funding and increase the programme delivery timeframes from March 2025 to March 2026. To note UKSPF to be spent by March 2025.</p> <p>Total value of the scheme - £15,350,000, (£4,500,00 Combined Authority funding, £10,850,000 private sector matched funding).</p> <p>Funding recommendation sought - £3,500,000 from Shared Prosperity Fund and £1,000,000 from gainshare. The programme spend will be monitored on an ongoing basis and the programme team will continue to explore other funding sources.</p> <p>A decision by the Combined Authority is sought as part of this report</p> |
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- 3.3 Since the Combined Authority's meeting on 2 February 2023, no decision points or change requests have been assessed in line with the Combined

Authority's assurance process and approved through the agreed delegation to the Business Economy and Innovation Committee.

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

4.4 There are no schemes to review at this stage.

Projects in Stage 3: Delivery and Evaluation

| | |
|-----------------------|--|
| Project Title | Business Productivity Programme |
| Stage | 3 (delivery and evaluation) |
| Decision Point | Change request (activity 5) |

| | | |
|---|---|--|
| 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

- 4.5 In West Yorkshire we are concerned about productivity because it is directly linked to living standards. At a macro level, a country's ability to improve its standard of living over time is almost entirely dependent on productivity growth. At a micro level, business behaviours and good work can improve productivity, but also be made possible as a result of productivity. It is also crucial in determining long-term growth rates of an economy. It leads to stronger Gross Domestic Product (GDP) growth and, in turn, increases tax revenues and lowers government budget deficits. Productivity matters for inclusive growth. In 2022 the CA approved its first Business Productivity and Resilience Plan.
- 4.6 ONS research suggests that West Yorkshire has a higher proportion of firms with relatively low productivity compared to the country as a whole, and London in particular. This creates a "long tail" of underproductive firms. The Business Productivity Programme (BPP) is the CAs direct contribution to rebalancing this. The BPP aims to provide holistic support to boost small and medium sized enterprises (SMEs) productivity by providing advisory support, along with financial support where required.
- 4.7 The programme will be available to all sectors but engagement from the manufacturing sector is expected to be high, thereby contributing to the delivery of the recommendations from the Mayor's Manufacturing Taskforce. The programme will support businesses (including co-operatives and social enterprises) with up to 100 employees (with priority given to those with less than 50), helping them to boost productivity, upskill existing staff, create new jobs and contribute to inclusive growth. All grant applications will be assessed for their Net Zero impact, and all SMEs supported will receive advice on how to better address the climate emergency in their day-to-day operations.

- 4.8 The programme builds on the success and lessons learned from the Business Growth Programme (BGP), which ended in Autumn 2022 due to all funding being allocated to meet the high demand from businesses.
- 4.9 At Combined Authority on 17 March 2022, approval was given for an initial ask of £4,500,000 of Gainshare funds to allow the programme to mobilise at pace in order to meet current demand from SMEs, and to secure the required delivery capacity, consisting of Combined Authority staff and specialist provision from a procured partner.
- 4.10 Since approval, the scheme has identified £3,500,000 of funding from the UK Shared Prosperity Fund (UKSPF) to provide support to businesses. The Business Productivity Programme is a named project in Pillar 2: 'Supporting Local Business' of the UKSPF Local Investment Plan (LIP), aligning very closely with 'Delivering levelling up through increased productivity in good work through all businesses. This has already been considered by both the Business, Economy and Innovation Committee and the Combined Authority, with a paper taken on 21 October 2022.

Tackling the Climate Emergency Implications

- 4.11 The West Yorkshire Investment Strategy outlines 'support for businesses to help decarbonise and become more resource efficient and circular' as a priority area for investment. The programme will support investment in innovative technologies which, by their very nature, are replacing older technologies that use more energy and create more waste.
- 4.12 A key part of the project appraisal will be consideration of the environmental implications of proposed investments. The Local Enterprise Partnerships' (LEP) Clean Growth team will support the development of a framework by which these environmental impacts can be ascertained. 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.
- 4.13 Additionally, businesses supported through the programme will be encouraged to engage with the LEP's Clean Growth team, which can also provide free resource efficiency audits, support on implementing active and sustainable travel options, and support to reuse and recycle through the circular economy project.

Outputs and Benefits

- 4.14 The scheme outputs and benefits are expected to include:
- A minimum of 158 businesses receiving advisory support to improve productivity, 122 of which will also receive financial support.
 - A minimum of 10 'Good Jobs,' paying at least the real living wage either through creating new jobs or upskilling existing staff so they have the skills for higher level, higher paid jobs.
 - Good practice and policy shaping.
 - Inclusive growth commitments undertaken by supported businesses.

- Environmental benefits associated with adoption of more efficient technologies, and advice and support on how to integrate net zero approaches throughout the operations of the business.

4.15 A split of the outputs and benefits based on funding source are:

| Outcome/ Output | Total | UKSPF Indicators to be delivered against Intervention E24 |
|---|--------------|--|
| No of businesses to receive advisory support to improve productivity. | 158 | Number of enterprises receiving non-financial support - 125 |
| No of businesses to receive financial support. | 122 (of 158) | Number of businesses receiving grant – 95 |
| No of ‘scaleup’ businesses supported, defined as 20% year-on-year growth for three years. | 8 (of 33) | N/A |
| No of ‘Good Jobs’ created/upskilled paying at least the Real Living Wage (currently £10.90/hour). | 210 | Jobs created as a result of support – 160 Jobs safeguarded – 65 |
| Private sector leverage generated from financial support to businesses. | £10,850,000 | Private sector leverage generated - £8,400,000 |
| Number of enterprises adopting new to the firm technologies or processes | 75 | 75 |

Inclusive Growth Implications

4.16 The SPF funded elements of the programme will lead to an increase in the number of Inclusive Growth commitments (circa an additional 65 - 75) made by businesses supported through the programme. As context, since July 2019, businesses receiving financial support of £25,000 or above through any of the LEP’s grant programmes have had to commit to undertaking at least one mandatory Inclusive Growth commitment (two for awards of over £50,000). Businesses receiving grants of under £25,000 are asked to make a voluntary commitment. Options include but are not limited to:

- Improving skills and employability of young people in education.
- Improving skills and employment opportunities for local and disadvantaged people.
- Increasing training and development opportunities in the workplace.

- Working with the LEP's Clean Growth team to identify and implement meaningful actions to make a business more environmentally sustainable.
 - Committing to paying staff the Real Living Wage (currently £10.90/hour) within an agreed timescale.
 - Paying small business suppliers in accordance with the Prompt Payment Code (only for employers with over 50 employees).
 - Other Inclusive Growth commitments bespoke to the company's own policies, considered to be relevant and impactful by the Combined Authority.
- 4.17 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. A proportion of the grant offered (10%) will be withheld until businesses can demonstrate that they have commenced/completed the appropriate commitment(s).
- 4.18 Additionally, supported businesses will be encouraged to become Fair Work Charter employers once that initiative is in place for businesses to engage with.

Equality and Diversity Implications

- 4.19 The programme will aim to support businesses in West Yorkshire's most deprived communities, with a target of at least 25% supported to be in the 20% most deprived wards in West Yorkshire based on the Index of Multiple Deprivation.
- 4.20 Additionally, the programme will aim to support businesses owned / led 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 (EDI) monitoring information, which will be used to actively market the programme to groups where there is low take up. In addition, the delivery team will actively engage with key influencers in the region (networks and individuals) who have trusted relationships with segments of the business community (e.g. the Yorkshire Asian Business Association and the members of the West & North Yorkshire Chamber of Commerce BAME Committee) to increase awareness and take-up of the programme.
- 4.21 The application form(s) for the programme will also contain an EDI statement that applicants need to confirm abidance with before their application can be progressed. Larger businesses (defined as having 50 plus employees) will be asked to supply a copy of their own EDI policy and supported to develop one if not in place.
- 4.22 An Equality Impact Assessment was completed as part of the business case development for the programme.

Risks

4.23 Key risks to the scheme are:

- Demand for the programme is not at the level anticipated. This has been mitigated by the fact that there is already a pipeline of 30 companies. Pro-active marketing will also be undertaken by the CA and the third-party advisory support partner, alongside the engagement routes outlined above.
- Grant commitments do not translate into actuals. Historical experience of running similar projects/programmes suggests that for every £100,000 of funding offered, circa 15% (or £15,000) is not actually taken up. This is on the basis that investments/projects do not proceed or do proceed but at a lower level than was originally anticipated at application stage. This has potential to impact negatively on both project expenditure and outputs. To mitigate against this, outstanding grant commitments will be tracked on a monthly basis and where projects are no longer proceeding offers will be withdrawn, with monies put back into the budget for redistribution and new applications brought forward.

Costs

4.24 The total cost of the scheme is £15,350,000.

4.25 The programme is currently underwritten by Single Investment Funding, approved on 17 March 2022 by the Combined Authority. The Combined Authority's contribution is currently £4,500,000. £3,500,000 will now be funded from UKSPF (to be spent by March 2025) and £1,000,000 from gainshare.

4.26 The programme spend will be monitored on an ongoing basis and the programme team will continue to explore other funding sources.

4.27 The remaining funding is £10,850,000 of private sector match funding.

Assurance Pathway and Approval Route

| Assurance pathway | Approval route | Forecast approval date |
|-----------------------------|---|------------------------|
| Change request (activity 5) | Recommendation: Programme Appraisal Team Decision: Combined Authority | 16/03/2023 |
| 5 (delivery) | Recommendation: Combined Authority's Programme Appraisal Team Decision: Combined Authority's Chief Operating Officer / Chair of Programme Appraisal Team | 31/07/2026 |

Other Key Timescales

- 4.28 Delivery will be completed by 31 March 2026, with the UKSPF delivered by March 2025.

Assurance Tolerances

| Assurance tolerances |
|---|
| Combined Authority costs remain within those outlined in this report. |
| Delivery timeframes remain within +3 months of those outlined in this report. UKSPF delivery and spend is to be completed by March 2025. |
| The number of businesses supported remains within -10% of those outlined in this report. Output tolerances for the £3,500,000 UKSPF 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. |

Appraisal Summary

- 4.29 This scheme is currently in delivery. The scheme will continue to be managed by the Combined Authority's Business Productivity Programme management team, in close partnership with appointed specialist advisory and evaluation contractors and businesses across the City Region.
- 4.30 The programme addresses the increasing uncertainty around funding for future business support programmes in the City Region. The programme's anticipated scope, realistic outcomes and benefits have been identified based on historically similar projects / programmes.
- 4.31 The proposed programme responds directly to Investment Priority 1 of the West Yorkshire Investment Strategy (WYIS) in relation to Good Jobs and Resilient Businesses and aligns with Mayoral pledges. The programme also directly aligns with priorities in the Strategic Economic Framework (SEF).
- 4.32 Value for Money for this scheme was calculated at £9,109 per job at the previous decision point (2-4 business justification). This represented good value for money as the national average is in the region of £30,000 per new job. The increase in total scheme cost and benefits represents a cost per job of £13,115 which still represents good value for money.

Recommendations

- 4.33 The Combined Authority approves:
- (i) The change request for approval of £3,500,000 of UKSPF funding to replace £3,500,000 of the gainshare funding and increase the programme delivery timeframes from March 2025 to March 2026. To note UKSPF to be spent by March 2025.
 - (ii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report. This will be subject to the scheme remaining within the tolerances outlined in this report.

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)

Business Productivity Programme

12.1 The Combined Authority approves:

- (i) The change request for approval of £3,500,000 of UKSPF funding to replace £3,500,000 of the gainshare funding and increase the programme delivery timeframes from March 2025 to March 2026. To note UKSPF to be spent by March 2025.
- (ii) Future approvals are made in accordance with the assurance pathway and approval route outlined in this report. 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.