
Report to: Business, Economy and Innovation Committee

Date: 29 March 2023

Subject: **Business support principles and Business West Yorkshire**

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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 provide the Committee with an update on the development of the Combined Authority's new Growth Service offer (working title Business West Yorkshire) service, funded via Gainshare.
- 1.2. To update the Committee on the opportunities and potential flexibilities afforded by the new funding streams for new programmes, with the ending of ERDF funding, and to highlight the challenges in implementing these.
- 1.2. To seek input into policy development in terms of businesses that should be prioritised for support in the new wave of business support offers which are commissioned or delivered by the CA.

2. Information

Context – Business Support

- 2.1 'Business West Yorkshire' is the Combined Authority's overarching business support infrastructure, due to begin delivery in April 2023. It is an evolution of the current Growth Service, which is delivered in partnership with all five Local Authorities.

- 2.2 The aim of the evolved service is to simplify the whole business support landscape for SMEs in the region, with a single point of contact, consistent audience focussed branding, an improved website, and user experience. The new service will continue to be delivered in partnership across all five Local Authorities. This is simplified access to **all business support** available in the region, whether delivered by the CA, commissioned by the CA or delivered by the wider ecosystem.
- 2.3 A key element of the new approach to increase the reach of the service is the development of how the whole business support offer is presented online. Internal workshops and market testing have already taken place to scope the requirements for the new online offer. The key driver of the change to the online presence is the need for structure and content to be designed specifically for a small business audience and that it works in conjunction with other ICT systems to facilitate effective targeting of support. Consultation with businesses will follow and a further update will be provided to the committee.

The opportunity for CA commissioned delivery

- 2.6 New business support offers delivered or commissioned by the CA will be funded through the Single Investment Fund (which includes gainshare and UK SPF). This presents an opportunity to review the business criteria for accessing services and consider a potentially more flexible approach.
- 2.7 Although greater flexibility, there is significantly less funding available through the new streams than there was through European funding. European funding has previously been worth £120m for West Yorkshire however UK Shared Prosperity Funding is valued at £83m.
- 2.8 Feedback from SMEs suggests that the eligibility criteria under ERDF has, in some cases, made public sector support seem complex, inflexible and bureaucratic.
- 2.9 Current ERDF restrictions mean that, with some exceptions, only Business to Business (B2B) enterprises can access support, and Business to Consumer (B2C) enterprises are mostly ineligible.
- 2.10 ERDF restrictions also limit support to those that fit the EU definition of a Small and Medium Sized Enterprise (up to 249 employees, turnover <€50m or balance sheet <€43m). This can mean that overseas-owned businesses (where this takes them beyond these thresholds), with operations in the region have previously been unable to access some schemes of support, even if they operate autonomously from their parent companies. This has negated the region's ability to attract some re-invest projects and to realise supply chain opportunities.
- 2.11 A refreshed approach to business support eligibility could provide a consistent framework which can be applied across all services (commissioned or delivered by the CA). This will support the simplification and accessibility of business support provision.

- 2.12 The Combined Authority's business support offer has already been approved through the Assurance Framework (including support for innovation, sustainability, productivity and Business WY). Many of the business support offerings have proposed prioritising targeting SMEs at the smaller end (5-100 employees but with flexibility) but have not proposed any sector restrictions on any of the programmes. See Appendix 1 for details of current eligibility/suitability.

Sector

- 2.13 In total, the retail, hospitality and culture sectors make up 27% of the West Yorkshire business stock.
- 2.14 Recent economic challenges have increased the demand and need for public sector intervention and support into retail and hospitality sectors. For example, The Combined Authority played an active role in the economic response to Covid including the delivery of 1114 Covid-19 recovery grants which were predominantly to retail and hospitality businesses. During the energy crisis, the Combined Authority and Local Authorities offered grants to businesses to help with energy costs. This was open to all sectors but take up from retail and hospitality has been particularly high at 52% of all funding applications.
- 2.16 There are however valid evidenced economic reasons for prioritising support on B2B. Funding for B2C businesses can sometimes negatively affect other businesses and lead to their displacement through increasing competition, price wars, or supporting market dominance. This could mean that the financial benefits to one business are offset by the financial impact on its local competitors and therefore not benefitting West Yorkshire as a whole. [ERDF Eligibility Guidance](#) states that "improved performance for one retail facility is regarded as displacing similar activity elsewhere."
- 2.17 Feedback from programme delivery is that a blanket ban on supporting B2B is not appropriate because there are exceptions (like those that predominantly trading online with a more national or international market) who can benefit from improved productivity, innovation or adoption of new technologies.
- 2.18 Through discussion about the merits of supporting businesses from different sectors and the experience of administering SME grant programme, there is also a need to consider circumstances where supporting particular businesses conflicts with the strategies and ethical position of the Combined Authority. There is a need to formalise the policy position on supporting certain activities which could include, for example the position on supporting tobacco, petrochemicals or other sectors that conflict with the net zero objective.

Size

- 2.19 The EU and UK definition of SME very broad, covering everything from a single person start-up to an established company with 249 employees with a turnover of tens of millions. The resource levels of micro and medium sized businesses are therefore very different and the market failure that applies to

public sector intervention in business support is more applicable to those at the smaller end of the SME definition.

- 2.20 98.9% of the business population of West Yorkshire have less than 100 employees. The World Economic Forum highlights the agility of SMEs, particularly in response to the pandemic. In particular it highlights that their smaller size, with fewer decision-making processes than larger firms, enables them to respond quickly and effectively to market emergencies and implement new business plans.
- 2.21 Smaller firms are less likely to have the resources, both financial and human, to be able to invest. Support into smaller firms can prove particularly effective in the following areas:
- **Productivity:** Smaller firms are less likely to measure their own productivity and are more likely to be part of the 'long tail of productivity'. There are particular benefits in engaging smaller businesses in understanding opportunities to increase productivity (and potentially financially supporting interventions).
 - **Job creation:** Smaller businesses (<100 employees) are major job creators in West Yorkshire, providing two thirds of employment. Prioritising and providing funding to support their growth can help to stimulate employment and economic activity in the region.
 - **Access to finance:** SMEs often have limited access to finance compared to larger businesses, which can make it challenging for them to access the capital they need to start or grow their businesses.
 - **Digital adoption:** Many smaller businesses will not have dedicated ICT teams, knowledge and expertise and resourcing to invest in the latest digital technologies that can form a key element of increasing firm level productivity.
 - **Local ownership:** SMEs are often locally owned and operated, meaning that funding directed towards them can have a direct positive impact on the West Yorkshire communities in which they operate.

Discussion

- 2.23 The Committee is asked to discuss, consider and guide how support should be targeted in the new wave of business support programmes to ensure that we capitalise on this flexibility, support businesses that will deliver the most positive impact, whilst using funding in the most efficient and effective way, and attract a more diverse range of businesses to the support available, including those who have not accessed support before.

With limited funding, but more flexibility, how should business support in West Yorkshire be targeted to support accessibility and maximise impact?

3. Tackling the Climate Emergency implications

- 3.1. All programmes being developed will support and encourage businesses to decarbonise and improve their environmental sustainability, reducing their overall carbon impact and help achieve the region's net zero ambitions.

4. Inclusive Growth implications

- 4.1. Inclusive Growth is a cross cutting theme in all programmes at each stage of policy, development, and delivery. Programmes will include targets to ensure geographical representation across the region and to reach and support underrepresented members of our business community.

5. Equality and Diversity implications

- 5.1. Each of the programmes being developed will have targets attached to ensure proactive engagement with underrepresented groups, including women, people from ethnic minority backgrounds, and people with disabilities. Work will be undertaken to ensure we are engaging with key, influential networks and that our services are proactively promoted and easily accessible to all.

6. Financial implications

- 6.1. Funding routes have been agreed for each programme and are assured through the Assurance Framework.

7. Legal implications

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

8. Staffing implications

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

9. External consultees

- 9.1. Consultation has taken place with District Officers, West Yorkshire Innovation Network and this Committee. Specific programme development activity has included consultation with other key stakeholders including businesses, universities and business intermediaries and networks.

10. Recommendations

- 10.1. That the Committee notes the activity currently underway.
- 10.2. That the Committee provides feedback on the approach to more targeted business support in the new wave of programmes.

11. Background documents

11.1 There are no background documents referenced in this report.

12. Appendices

Appendix 1

Support	Eligibility / fit		
	Sector	Size (emp)	Targeting
Business West Yorkshire	All	5 – 100 (with flexibility)	Growth, resilience and productivity
Business Sustainability	All	5 – 100 (with flexibility)	Financial support expected to be mostly taken up by energy intensive sectors like manufacturing
Business Productivity	All	5 – 100 (with flexibility)	Expected to be predominantly manufacturing sector.
Innovation	All	5 – 100 (with flexibility)	Net-zero and health innovations prioritised for higher value grants.
Ad:Venture / Enterprise West Yorkshire	All	Pre-start /Up to 3 years	Displacement still relevant so this will exclude some B2C depending on exact displacement criteria
Digital Enterprise	All	2-250 but most will be 2-100	Minimum 3 years old. Displacement still relevant so this will exclude some B2C depending on exact displacement criteria