

LEP Growth Service contract extension

Date: 20/9/21

Report of: Economic Development Programme Lead

Report to: Chief Officer Culture & Economy

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

This report asks the Chief Officer for Culture & Economy to approve match funding to extend the delivery of the Leeds component of the LEP Growth Service by an additional 12 months to March 2023.

The proposal supports the Best City Ambition to have 'A Strong Economy and a Compassionate City'. The LEP Growth Service helps Small/Medium sized businesses (SMEs) to access the wide range of business support programmes currently available and helps to support economic growth and employment creation.

The proposal aligns with the city's and council's ambitions for a strong economy, delivering inclusive growth, and will help to protect jobs and livelihoods as the economy recovers from the effects of the pandemic.

Recommendations

- a) To approve Leeds City Council's match funding contribution of £62,704 per annum (based on 2021/22 figures) for delivery of the Leeds component of LEP Growth Service to March 2023. A total of £125,408 over the period 2021-23. The Council's match funding contribution is in kind and comes from its contribution to existing staff salaries and associated overheads.
- b) To authorise the signing of a Deed of Variation to the original funding agreement between WYCA and LCC.

Why is the proposal being put forward?

- 1 The LEP Growth Service is delivered in partnership between Leeds City Region local authorities and West Yorkshire Combined Authority (WYCA). In April 2019, the service was expanded through a successful European Structural Investment Funds (ESIF) bid which secured funding for the period 2019-22.
- 2 WYCA has been successful in securing additional funding to extend the service until March 2023. The extension is dependent on the existing cocktail of funding being maintained with

match funding contributions being made by all Leeds City Region local authorities and the Department of Business, Energy and Industrial Strategy (BEIS).

- 3 WYCA has requested partner local authorities involved in delivering the service to confirm their funding contributions for the programme, set out below, for the period of the contract extension. A deed of variation has been issued by WYCA to amend the existing funding agreement.

Impact of the proposal

Wards Affected:

Have ward members been consulted? Yes No

- 4 This proposal covers the whole of Leeds Metropolitan District. The LEP Growth Service supports eligible SMEs of all sizes and stages of development across Leeds and the wider city region, although businesses in certain sectors (eg agriculture and fisheries, banking and financial services and businesses that primarily trade in business-to-consumers markets) are ineligible for support due to European funding rules.
- 5 The LEP Growth Service was originally set up in 2015 as the government moved away from a national delivery model for business support services, replacing this with locally agreed funding and delivery negotiated with local enterprise partnerships. The service was designed to support SMEs, helping them to access advice and support provided by an increasingly wide range of business support providers. It was initially funded by local authorities in the Leeds City Region and the Department for Business Energy and Industrial Strategy (BEIS).
- a. As the responsible body for the LEP and the accountable body for the Growth Service, WYCA received funding from central government and disbursed this to local authorities involved in delivering the programme. A team of 10 x FTE Growth Managers were deployed to work on the programme. Leeds, as the local authority with the largest share of the business stock in the city region, was allocated funding for 2.5 FTE Growth Managers.
- b. From April 2019 the service was expanded through a successful European funding bid. The existing cocktail of local authority and central government funding was used as match to draw down additional funding from European Structural Funds, allowing an additional two FTE Growth Managers to be employed on fixed term contracts to 31/3/22 and strengthening the Leeds team to 4.5 FTEs.
- c. Initial findings from an impact evaluation, based on the analysis of 8,186 SMEs supported by the LEP Growth Service since its launch in June 2015 indicate that:
- firms supported by the Growth Service created considerably more jobs than the average across Leeds City Region.
 - firms that received support from the Helpline and/or a Growth Manager and were also referred to wider business support schemes created a total of 14,874 jobs.
 - the Growth Service represents very strong value for money with economic benefits of £22 for every £1 of public funding invested in the service.
 - the Growth Service has enabled firms to buck the wider trend of static or declining employment growth evident across Leeds City Region from 2015 to 2020.

- 6 Over the last 18 months, Growth Managers have played an important role in providing support for businesses affected by the Covid-19 pandemic during the periods of national lockdown and tier restrictions. In Leeds, Growth Managers have played a key role in delivering the Council's Discretionary Grant Fund, completing appraisals on hundreds of applications to the scheme. Many of these have been from businesses that have never previously accessed business support. This includes significant numbers of SME suppliers to the retail, hospitality and leisure (RHL) sectors, which did not benefit from the statutory financial support made available to RHL businesses. Extension of the programme will allow Growth Managers to continue providing essential support to SMEs as they and the economy more generally begin to emerge from the pandemic, helping to protect jobs and boost recovery.

What consultation and engagement has taken place?

- 7 The LEP Growth Service forms part of a much wider picture of the Council actively engaging with partners across the Leeds City Region to maximise resources and deliver a range of business support and economic development programmes to drive growth, protect livelihoods and create jobs. The service provides an essential business engagement and account management role, guiding SMEs through the maze of business support programmes and organisations currently available and enabling them to maximise the support they can access.
- 8 The Council's approach to European Structural Investment Funds (ESIF) was discussed and agreed with the Corporate Leadership Team (CLT) in February 2017. CLT indicated that it was fully supportive of the Council playing an active role in delivering ESIF projects across the city region to maximise resources and benefits to Leeds and the wider regional economy.

What are the resource implications?

- 9 The proposal enables the Council to maximise resources for business support and economic development for a further 12 months to the 31st March 2023, at which point it is expected that the new Shared Prosperity Fund will replace ESIF as the main source of funding for economic development programmes at local and regional level.
- 10 Based on salary costs for financial year 2021/22, the costs of delivering the Leeds component of the LEP Growth Service are a total of £223,863 per annum with the Council contributing a total of £62,704 with the remaining funding coming from BEIS and ESIF. The total Council contribution over the period 2021-23 is therefore £125,408.
- 11 The funding arrangement has enabled the Council to employ a team of 4.5 Growth Managers to support SMEs in Leeds.

What are the legal implications?

- 12 The Council must be able to demonstrate that staff employed in the Growth Service have the relevant knowledge, skills and experience to perform the role and are paid a salary in line with market trends. All members of the team have this year completed the SFEDI-accredited Level 5 Certificate in Professional Business and Enterprise Support Services.
- 13 The Council must also hold all relevant financial information and make it available to WYCA or any other approved external body (e.g. BEIS appointed auditors) as required.

What are the key risks and how are they being managed?

- 14 The contract extension relates only to ERDF funding but makes provision for a maximum grant payable of £267,857 to 31st March 2023. This covers the salaries of two of the 4.5 FTE Growth Managers. The remaining 2.5 FTE Growth Managers are jointly funded by the Council and BEIS. The current funding agreement with BEIS runs until March 2022.
- 15 To mitigate against the risk of a loss of BEIS funding, WYCA have agreed to underwrite the existing BEIS contributions for the 2022/23 financial year.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

- 16 As a condition of financial support through the LEP, businesses are required to make one of a number of inclusive growth commitments, which include implementing apprenticeship programmes, offering training to employees to help them progress, working with local schools and colleges to promote career opportunities, promoting sustainable travel and undertaking energy audits to identify ways to reduce energy costs and carbon emissions. Growth managers work proactively with business owners and decision makers to agree and monitor implementation of these commitments.

Options, timescales and measuring success:

What other options were considered?

- 17 The proposal is a 12 month extension to an existing successful programme with staff in post. It is therefore not relevant at this time to consider other options for either funding the LEP Growth Service or other alternative forms of business support.

How will success be measured?

- 18 The LEP Growth Service has contractual outputs in place with both BEIS in relation to its funding contribution and with MHCLG, which manages the ESIF contract.
- 19 Growth Managers funded through BEIS have a target to engage and manage relationships with 150 account managed businesses per year (60 per FTE Growth Manager), of which a minimum of 25% must be new to business support. In addition, the Growth Manager team has targets for delivering 195 business assists and 72 intensive business assists.
- 20 As a result of the pandemic, and to take into account additional demands on Growth Managers across the city region in delivering local authority discretionary grant schemes, targets have been reprofiled with a large proportion of the outputs originally programmed for 2021 pushed into 2022/23.
- 21 The Leeds Growth Manager team has already met contractual targets for 2021 but the outputs profiled for 2022 and the first quarter of 2023 remain challenging. The contract extension is necessary to ensure the service delivers against its contracted outputs.

What is the timetable for implementation?

22 The revised timetable for implementation and completion of the project is set out below:

Milestone	Date
Project commencement	1/4/19
Contract extension	1/4/22
Agreed financial completion date	31/3/23
Agreed activity ends date	31/3/23
Agreed project practical completion date	30/6/23
Date for submission of final grant claim	28/4/23

Appendices

23 Leeds Funding Agreement.pdf

24 Leeds Deed of Variation - Final.pdf

Background Documents

25 None