



West of England

Full Business Case

Programme: Local Industrial Strategy

Productivity Challenge Delivery Programme

		Originated	Reviewed	Authorised	Date
1	Version 1.0	NGS	AJM		16/10/19
2	Version 1.2	NGS	AJM		31/10/19
3	Version 1.4	NGS	AJM	SFB	13/11/19
4	Version 2.1	NGS	AJM	SFB	
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Executive Summary

Drawing on the unique strengths of our region we seek to tackle the immediate environmental, economic and societal challenges that face us, by setting an ambitious plan to be a driving force for long-term, sustainable, clean and inclusive growth.

Our West of England strategy sets out how we will work with local and national partners to deliver activities under the themes: Cross-sectoral Innovation, Inclusive Growth, Business Competitiveness and Innovation in Infrastructure. This programme, with multiple interventions and two phases, delivers on Business Competitiveness (The Productivity Challenge) but includes themes which support the other strands. Our core objectives are therefore:

1. To increase **productivity** across the regional economy,
2. Enable and encourage long-term, sustainable and **inclusive growth**, and
3. Reduce **climate impact** - in response to the climate emergency.

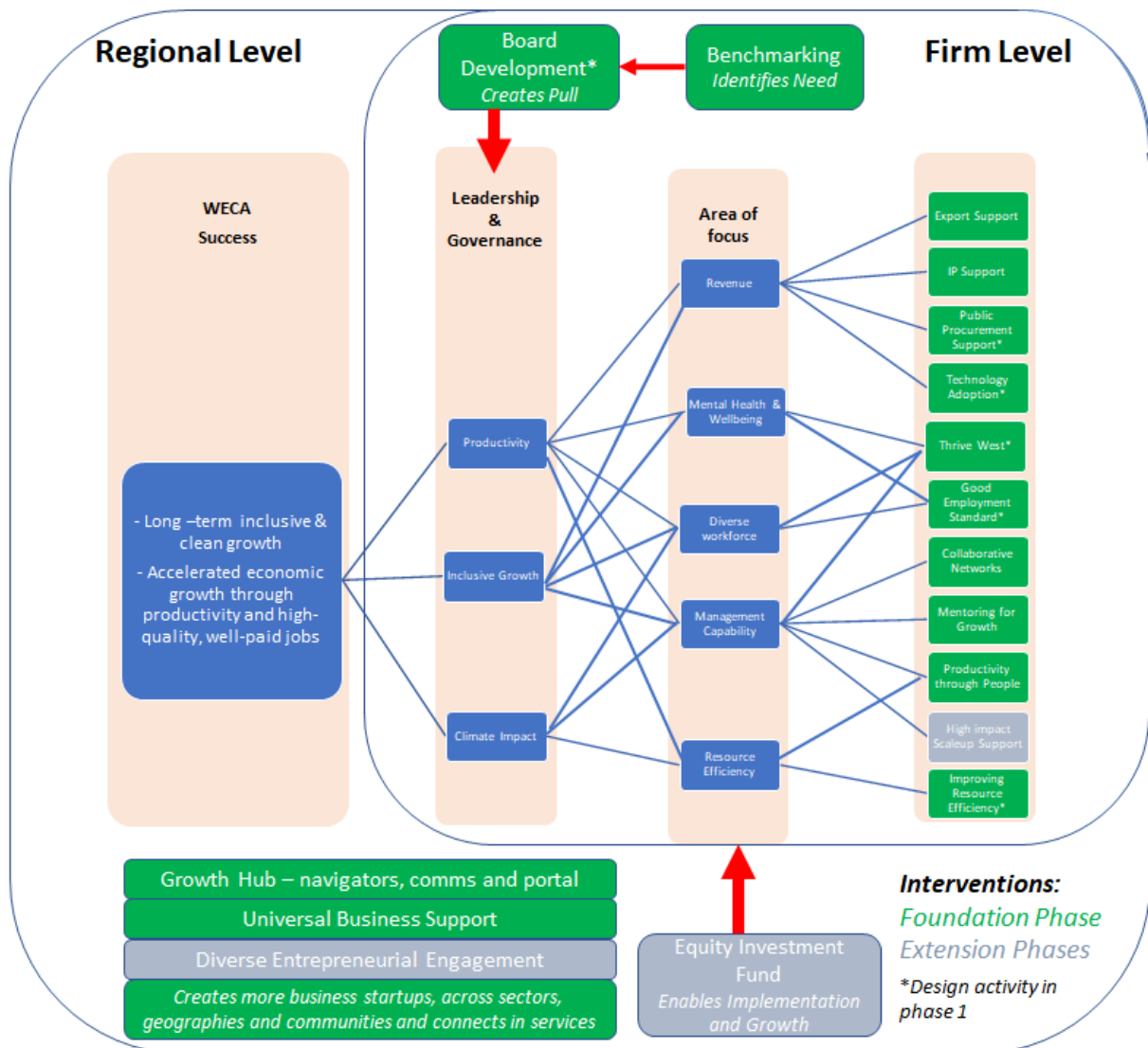
This Productivity Challenge Delivery Programme has the ambition to achieve systemic change in our economy by delivering a number of interventions and creating an environment where the public, private and 3rd sector deliver supportive activities for long term resilience and growth without ongoing reliance on public sector funding. We will achieve this by strategically positioned, coherent interventions that support enhancing the capacity and competency of business leadership of all sizes and types of enterprise, to drive good decision making, profitability and sustainability in businesses.

This approach enables leaders of businesses of all sizes to make the best decisions to drive inclusion, innovation adoption, reduced carbon footprint and productivity within their business, holistically. In the process they are more likely to demand more from the public and third sectors: we are enabling the demand so that the current market gap is filled in the longer term. This concept is alluded to in various reports¹. We include social enterprises within the 'business' label.

¹ [Do board characteristics drive firm performance?](#)

IoD Report on ['Lifting the long Tail of productivity'](#)

To maximise the opportunity and impact we need to develop a set of interventions as a single package, and sustainability – of business and the environment in tandem – underpins this strategy.



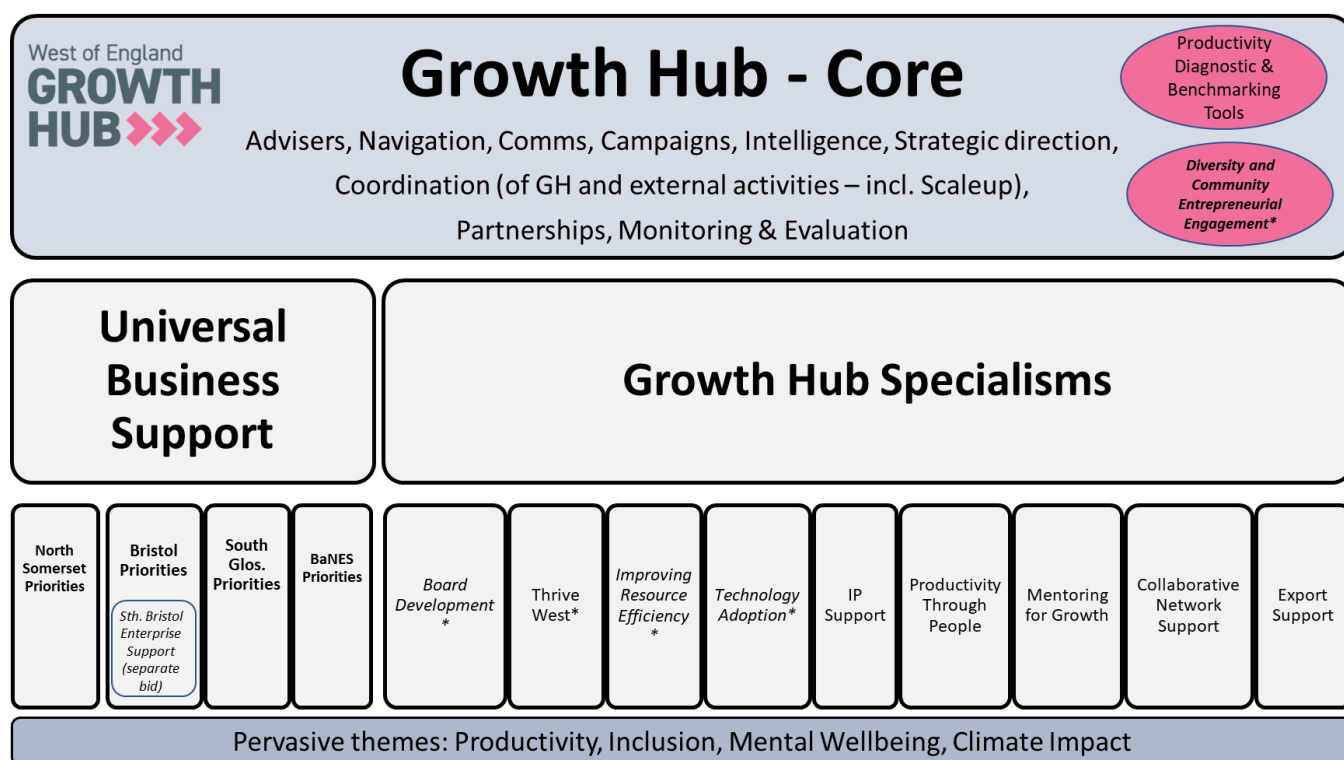
It is considered important not to separate productivity from inclusive growth and reducing climate impact, as part of our overarching ambition to do things differently as a region. Inclusive growth and reducing climate impact appear as ambitions in our LIS and as these must pervade all our activities; they should appear internally and externally, accordingly. It is a developing piece of work within WECA as to how to measure these aspects so that, at the very least, our focussed activity on Productivity does not negatively impact climate change or inclusion. Climate impact does appear in the LIS evidence base so is measurable. Inclusion is less obvious but will need to be resolved.

The scheme has been designed to be delivered in the combined authority area. We aspire to deliver the full programme across the entire West of England including North Somerset. However, for North Somerset Council (NSC) to participate in this programme they would need to buy-in to it. Should NSC

invest this would reduce the burden on the WECA investment fund and extend the geography of delivery. There is little scope to scale back cost if NSC do not invest. An element of match funding identified from BEIS is for delivery of core Growth Hub activity relating to the West of England area including North Somerset so some core growth hub activity will be delivered in North Somerset. Within the Universal Business Support component, North Somerset include a contribution of £75,000. WECA Investment Fund was not recognised as match. The overall programme cost could therefore be scaled back by £75,000 without impact on the investment fund.

There are 49,605 active enterprises in the WofE (LIS evidence base, slide page 13) of which 9,295 are registered in North Somerset representing 18% of the total. A simple and equitable solution to include North Somerset would be for North Somerset to “buy in” to this programme at the rate of 18% of the WECA investment fund contribution. Including North Somerset in the whole programme would reduce the ask of the WECA Investment Fund. Current indication from NSC is that they are keen to buy-in to the scheme but are not currently able to do so. We propose that the option be kept open to NSC to buy in at a later date.

In this context we will deliver a range of activities, focussed on the objectives of the Local Industrial Strategy and delivered through a framework of improving leadership and governance of businesses and predominantly delivered under the Growth Hub brand:



*Design activity in phase 1

We will partner with existing public, private and third sector partners wherever possible to build on their capacity, track records, credibility in the marketplace and expertise.

This business case describes the first, 'Foundation', phase, which includes initiating or continuing some 3-year programmes and designing new programmes to be funded, subject to identified need, through subsequent bids for funding – the 'Extension' phase. This Foundation Phase will cost £5.056m over 3 years with an ask from the WECA investment fund of £2.737m, matched by £2.319m from other sources. This does not include any contribution from North Somerset to reduce the investment fund ask. **This will deliver £40m of GVA as well as an environment where inclusive growth sustains, across the West of England. This equates to an overall increase in productivity from 0.1% to 0.15%.**

The package of activities is to be considered as one which will, as a whole, deliver the required short-term (in-programme) measurable outcomes and allow investment in systemic change (e.g. through building business board capability) that we will be harder to measure.

1 Strategic Case

1.1 State Aid Considerations

All elements of this business case, assuming the UK remains within the EU wide legislative State Aid framework, will be treated on their merits with regard to State Aid. Our view is that all the proposed activities can be treated compliantly under one of two mechanisms:

- The de minimis regulation (for elements that do not fit with GBER or where using GBER would be particularly onerous).
- As non-economic activity, particularly for the development work to be undertaken by LA employed staff.

Where assistance is given as de minimis aid we will capture all necessary de minimis declarations and report our total de minimis awards as required by that regulation.

Where 'no aid' is determined on the basis of non-economic activity, we will ensure that these activities do indeed remain non-economic in nature (i.e. NOT offering a good or service to the market).

Further analysis can be found in Appendix 1.

1.2 Project Description

This programme builds on a number of existing or recent delivery programmes, such as the *West of England Growth Hub*, *Improve Your Resource Efficiency*, *Invest Bristol* and *Bath and Enterprising West of England*. We now need to position these, extend and adapt them to strengthen our economy whilst tackling the climate emergency.

It is a package of coherent interventions that aims to stimulate demand, in and for the long term, from the private sector to provide services that enable competitive and inclusive business growth, by seeding short term (3 year) activities around sustainability, inclusive enterprise support, export, productivity improvement, inclusive employment and public procurement practice to produce

significant, measurable outputs. These interventions are pinned together by an innovative programme of leadership development, of small and medium size firms to drive capacity and capacity for growth, which is inclusive, productive and sustainable. **It is this activity which will enhance the take up of all the interventions in the longer term, drawing support provision from the private and third sectors and thus leading to a sustainable and inclusive economy.**

The premise is that this set of interventions need to be implemented as a coherent package in order to drive productivity and reduce climate impact – to implement interventions in isolation reduces the potential impact.

In this context we will deliver the following activities (as highlighted in green) predominantly delivered under the Growth Hub brand:

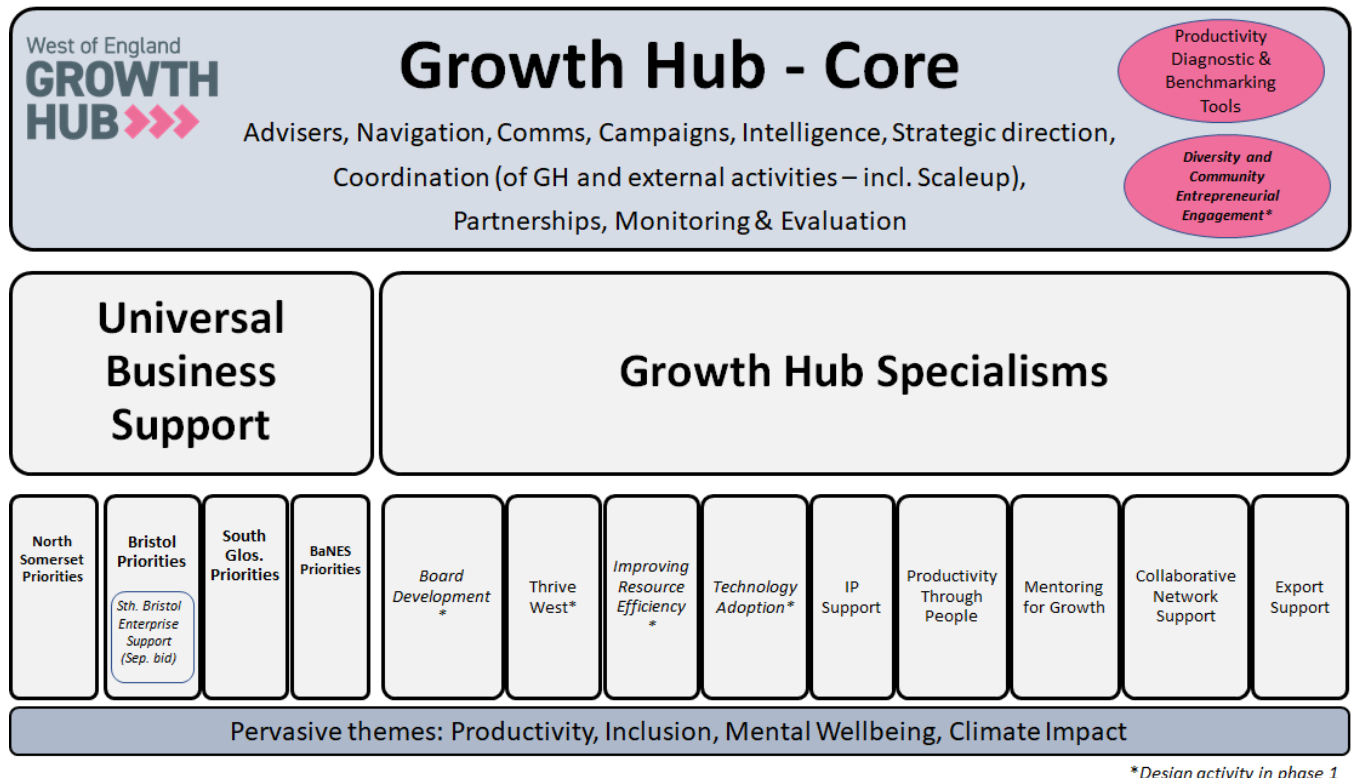
	Increasing Productivity	Inclusive Growth	Climate Impact	Foundation phase	Possible future bids	Potential links to other WECA Strands / projects
Benchmarking and diagnostic tools	Y			Design & publish		
Board Development	Y	Y	Y	Design	3yrs	Workforce for the Future
Technology Adoption programme	Y	Y	Y	Design	3yrs	Innovation & Sector Development
Public procurement support	Y	Y		Design	3yrs	WECA Procurement Strategy
Improving Resource Efficiency	Y		Y	Design	3yrs	Low Carbon Challenge Fund
Good Employment standard	Y	Y		Design	3yrs	
Equity Investment Activity	Y	Y		Design	To be defined	Innovation & Sector Development
Thrive West	Y	Y		Design	To be defined	
Mentoring for Growth	Y			3yrs		I Innovation & Sector Development
Productivity through People	Y	Y		3yrs		
Collaboration Networks	Y	Y	Y	3yrs		Innovation & Sector Development
Enhanced Growth Hub	Y	Y		3yrs		
Universal Business Support	Y	Y	Y	3yrs		
Active export support (DIT) project	Y			3yrs		
IP Support for SMEs	Y	Y		3yrs		Innovation & Sector Development
Trade Mission programme	Y				3yrs	
Diversity and Community Entrepreneurial	Y	Y	Y		3yrs	

<i>Engagement & Support</i>						
<i>Better Business for All regulatory support</i>	Y	Y			3yrs	
<i>High impact scaleup programme</i>	Y	Y	Y		3yrs	

It is implicit that different companies will benefit from different interventions individually, and thus logical to assume that by providing a range of interventions we will be able to increase the overall rate of growth of productivity in the region (as per the objectives) by helping different firms in different ways. This is the argument for providing all the proposed interventions now as a group. In addition, as per the recommendation from the IoD report² on productivity there is a need for a “*coordinated community-led movement to inform businesses about 'best practice' in management and technology and driving 'productivity mindsets' at a local level. It should ideally include an online portal showing supporting events, networking, mentoring, and training programs, navigable to the regional-level*”. The ‘Design’ elements identified are our response to developing further what is required to achieve the regional step change in productivity and to inform delivery of the active interventions in the short term. As an example of why these work as a package rather than discrete interventions, consider the question of whether there will be sector foci to interventions. By investing in an enhanced Growth Hub core activity, with coherent monitoring and coordination across all the interventions trends about what works and doesn’t, what best practice provides us and other factors, will be assimilated by the Growth Hub team to inform and focus other interventions to achieve the maximum impact, dynamically. By treating each intervention as a discrete item then the risk is that a focus is set at the start of the programme with little scope for adapting to market need. While it could be argued that separating the interventions as separate business cases does not prevent effective management, the proposal here is to build in this coherence and dynamic focussing of interventions from the very start. Adopting a robust Monitoring and Evaluation scheme across the interventions will allow the range of activities to be refined and targeted effectively in the course of the programme, rather than being dependent on a single approach. Similarly, the marketing and communications of the interventions, as a package and under a common brand, is important to both create the ‘movement’ and simplify the offer to businesses across geographies, sectors and communities.

The Growth Hub will be the overall brand and monitoring framework, as follows:

² <https://www.iod.com/cyber-security-for-your-business/articles/lifting-the-long-tail-productivity-report-summary>



The entirety of activities outlined, are intended to be phased. This Full Business Case (“FBC”) is for the first ‘**foundation**’ phase, starting in Q1 2020 which involves a number of ‘design’ elements of preparation, elements that are ready to go and continuation or re-starting of established schemes to maintain momentum and deliver the full benefit of previous investment. The ‘**extension**’ phase will bring forward a number of separate business cases to build on the first phase and implement the major funded elements of grants, trade missions, business board development and the potential for an equity investment fund.

This FBC is solely for the Foundation Phase.

Where elements are described as ‘design’, it is intended to procure specialist consultancy to understand the problem and opportunity and design an intervention or determine that there is no need for a new intervention. Most of these design elements will adopt the “Action Based Learning” approach which will produce business interventions and ensure all designed activity is based on real business need. This is designed to de-risk any subsequent investment and maximise the opportunity from the mix of interventions.

The response to market failure is to make these themes coherent so that our economy is dominated by businesses that are productive, understand the value of diversity in their workforces, know how to nurture diverse talent, optimise use of resources, exploit domestic and export markets, build local supply chains and generate social and economic impacts for the local communities they are neighbouring.

The current prosperity of the region is potentially unstable and vulnerable to macro changes such as global economic downturn and EU-exit, so we need to increase our resilience to these changes. To remain as resilient as an economy as we can be, we will also investing in an Inclusive Economic Growth Lab concept, in the subsequent extension phase, that experiments with new ways to stimulate inclusive and clean growth across the region, leading to fine-tuning the other elements of this programme, new interventions or stimulate fully private sector funded delivery.

In addition to the programme of interventions identified in this business case it is important to recognise that there is a broader programme in development within WECA focussed on innovation and skills. This broader programme of activity will deliver on the objectives of the local industrial strategy. We will work with colleagues across the combined authority to ensure that as new projects are brought forward, they are integrated into the wider Growth Hub family and are aligned.

This Full Business Case specifically addresses a first phase of the productivity challenge – as identified in the West of England LIS Next Steps document.

The elements of the package of interventions are outlined below. More detail, including purpose, tasks, outcomes and procurement approach, is detailed in Appendix 3.

Interventions within this FBC – the “**Foundation**” phase (Starting in Q1 2020) comprises:

1. Extending existing or previous schemes to maintain momentum

- a. **Growth Hub LEP Core Business Support offer** (website, navigation, coordination of services, intelligence, strategic direction, central comms and campaigns)
Building on learnings from recent pilot schemes to enhance and improve accessibility and navigation of support resources on offer including via the Growth Hub online portal, this will increase the capacity and competency of 'Navigator' staff resource to ensure that the package of interventions is fully exploited and that the activities within the UAs are connected. The Growth Hub will ensure it is fully apprised of best practice in company operations and structures, such as Environmental Management Systems and B-Corps³, and to encourage adoption of the most sustainable business practices. Close alignment with support provided by the UAs will be ensured. There will also be capacity to effectively market the opportunities on offer to businesses and communicate case studies of success. This will be combined with an increase in navigator skills through providing SFEDI training to undertake diagnostic support to businesses. This will include initial development of the Diversity and Community Entrepreneurial Engagement activity to inform delivery of all Growth Hub interventions. This will expand the in-house team.
- b. **Universal Business Support**

³ Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corps are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy. www.bcorporation.co.uk

The Universal Business Support service builds on the extensive knowledge and experience built up through the ERDF match funded 'Enterprising West of England' (EWoE) programme, which will come to an end in March 2020. The service will allow a broad range of complementary business support products to be delivered at a local authority level, meeting a diverse range of business needs, and branded and coordinated as West of England Growth Hub activity. Recognising that one approach is not necessarily right for all businesses, this initiative will be delivered by the local authorities providing flexibility to meet local demand and enabling all residents and SMEs access to a business support service. This supports an environment of entrepreneurship and business resilience that creates a broad, sustainable business base, generating employment and improving productivity in the local economy. This is a critical plank in enabling inclusive growth, supporting economic activity according to the local priorities of the UAs, and will be delivered under the branding and supervision of the Growth Hub, to assure coherence of the overall offer. The Bristol element of this will be supported by a set of deep interventions in South Bristol, within a separate bid to enable use of an ERDF allocation. This will be commissioned through local authorities.

c. Improving Resource Efficiency (IRE)

In response to the Climate Change Emergency, this package is designed to provide direct advice to SMEs in how to improve resource efficiency, adapt processes to compensate for climate change and to adopt good practice in carbon reduction. It builds on the previous, successful ERDF funded Improving Your Resource Efficiency (IYRE) scheme that ended in 2015 and will link to related activities within the Universal Business Support scheme and enhance take up of the existing Low Carbon Challenge Fund. Includes working at SME Board level to ensure full, and long-term, adoption of intervention. This activity also supports productivity improvement through reducing the cost base of businesses. This will be commissioned to existing expert providers.

d. Productivity through People

A transformative programme for SME leaders already established in the North East, the Midlands and London, this activity will support cohorts of senior leaders through an intensive 12-month programme to transform working practices and productivity. Consideration will be given to targeting and grouping cohorts, by sector or demographic. This will be provided by existing providers (currently University of Bath) in partnership with *Be the Business*.

2. New schemes from existing partners

a. IPO regional expert to support local business

Deployment of expert resource embedded within the Growth Hub. Part-funded by the UK Intellectual Property Office who provide information, advice and guidance to help companies using tools such as IPEquip, IPCheck, IP B2B Toolkit and IP for Investment tools. This will explore innovative models such as with local libraries and maker spaces. This will be in-house resource in partnership with the IPO.

b. Export Support Project

Working with DIT and the local DIT commissioned service provider we will develop a close working relationship with the existing International Trade Advisor network to explore opportunities for bi-lateral activities across investment and trade; this will focus on market analysis, developing high-level market strategies, SME trade advice, trade matching and access to markets. It includes design of a regular trade-mission programme subject to a separate business case. This will be in-house resource.

c. Mentoring for Growth

Mentors from leading firms will be matched with SME owners to improve performance by increased leadership practices. This is a nationally driven programme devised and implemented by the high-profile *Be the Business* project. An externally funded pilot of this programme has commenced and a 'Mentoring through Growth' advisor started in September 2019 as a shared resource between West of England and Gloucestershire LEPs. The first year has no cost implication for WECA (fully funded by Be the Business) but the following two years, as proposed, will incur cost. There will be a decision gate at the end of the first year to measure the impact before committing to extending. The full costs of the 2nd and 3rd years have been included, and the contribution from Be the Business for the 1st year has been included as match. This will specifically support guidance on productivity for businesses at board level, be a specific 'next stage' for leaders completing the Board Development activities to maximise the long-term benefit of WECA interventions. This will aim to maximise SME-Corporate connections and collaborations alongside the mentoring, which will support cluster-development. An evaluation will be carried out during the first year to confirm extending the programme for proposed remaining two years. This will be in-house resource in partnership with *Be the Business* and GFirst LEP.

d. Benchmarking tool & business diagnostic tools

A free to use SME self-diagnostic tool that will be embedded in the West of England Growth Hub portal to enable SMEs to benchmark productivity and management practices with industry level comparisons. Bespoke to our programme, we will look to build in board competencies to this tool, in an accessible form. This will lead to a result-driven local call to action. This will be a bespoke piece of development contracted to *Be the Business*.

e. Collaborative Networks / Peer to Peer Support offer

Building on the region's many successful sector networks, a suite of peer to peer activities and content to share experience, good practice, stories of growth and advice will be developed. Working with established networks, across sectors, disciplines and company growth stage, and targeting sectors and communities that are currently not well served, to identify useful activities such as network support, peer learning, business open days, reference visits, business placements and advisory board roles. This will be additional in-house resource and build on support and expertise provided by *Be the Business*.

3. New 'design elements: initiatives to develop in readiness for Extension Phase

These have been included in order to create the 'movement' outlined earlier. It is considered efficient and assisting in developing the context of the common goals: productivity, inclusion and climate impact reduction, to include these in this FBC.

a. **Business Boards / business leadership**

Develop an evidenced framework that links all WECA and specific external schemes together, and add relevant context to all WECA interventions, to build diversity, capacity and competence of boards (including those business boards that currently comprise a sole director and equivalent structures in not-for-profit organisations) in all sizes, types and stages of enterprise. Establish evidence base to support the programme, which is communicable to small and medium sized businesses. This will include how to significantly enhance inclusion, productivity and climate impact awareness and decision making at board level. This activity will include developing and communicating key messages to businesses and inform the messaging of individual activities across the whole project. This will be a commissioned piece of work to a specialist.

b. **SME Public Procurement**

Working with major public and third sector bodies across the West of England to identify ways to widen opportunity for SMEs to engage in public procurement. This builds on existing work in WECA and the UAs that may include establishing standard protocols and increased communication. Also, exploring how social value procurement can maximise the employment and supply chain benefits of WECA's own spending. It will map and coordinate existing work in this area at local or national level. This will be an important contributor to inclusive growth, aiding businesses emerging from communities inside and outside the city. This will be a commissioned piece of work to a specialist.

c. **Good Employment Standard**

A program of work to establish and roll out a quality assured regional good employment standard that will be adoptable by employers at board level and used to recognise and promote good employment practice in the West of England looking at a variety of areas including living wage within specific sectors, employee engagement and recruiting and nurturing diverse talent at all levels. This is expected to align with the Workforce for the Future Skills project, Future Bright and existing work done within the UAs. This will be a commissioned piece of work to a specialist.

d. **Technology Adoption Programme**

Following consultation with businesses from across the country, including a highly productive roundtable in the West of England, a new product based on the *Be the Business* tool will be developed. As well as incorporating the technology adoption diagnostic tool from *Be the Business*, this will develop a programme for the extension phase alongside providing specialist support to SMEs on exploration and adoption of technology including understanding risks, resilience and the significant opportunity

and productivity gains achievable. It will include board level advice on managing change. This will be a commissioned piece of work to a specialist.

e. Equity Investment Activity

Evaluate the need, opportunities and possible approaches to increasing access to relevant capital for growing firms in a manner that balances solving a market failure with a return on investment, over the long term, for WECA. One option to explore is an Angel Release Fund, specifically focussed on accelerating the release of private seed capital from investments to increase flow of early stage investment; Initiate (de-risk) development of such a fund. This is a nationally documented current market failure but may be solvable with a light touch rather than building a fund independently. This will be a commissioned piece of work to a specialist.

f. Thrive West

Building on the work of the Public Health teams within Bristol and South Glos Councils about their Thriving in Work activity, we will combine their efforts (plus B&NES and North Somerset) to develop a powerful regional campaign ("Thrive West") over the next 12 months. This will involve delivering a range of interventions – such as employers implementing mental health plans, using utilising tools and learning from best practice- to drive systemic change. A number of major businesses in Bristol have already signed up to Thriving at Work Bristol and there is an opportunity for us to do much more and scale the benefits across the region. This will be in the shape of a regional co-ordinator and accompanying marketing and campaigns activity, with a focus, in line with other work within this FBC, on securing endorsement at board level within businesses. The LEP Board, and WECA as an employer, will be asked to champion this. This is a LEP Board recommendation and the WECA Business Board has been championing it. This will be a commissioned piece of work to a specialist.

Extension Phase – potential subsequent related bids included for reference only

1. **Business Board Programme** – *delivery of a series of short interventions aimed at increasing board capability, take-up of non-exec directors and diversifying existing boards, based on Phase 1 design.*
2. **Diversity and Community Entrepreneurial Engagement and Support**
Building on a pilot programme with migrant communities, a wider programme of engagement to ensure productivity and enterprise support is targeted at priority neighbourhoods across the region which face a plethora of socio-economic barriers to accessing enterprise support. This will be based on an Action Based Learning approach which continually informs the delivery of existing and new interventions. This will be commissioned to existing expert providers.
3. **Public Procurement Business Engagement Activity** – *extending Phase 1 work to all public sector bodies in the WoE*
4. **Export Trade Programme** – *initiating a regular schedule of trade missions to strategically targeted destinations, such that they become self-financing*

5. **Better business for All** - Increase engagement with regulatory services – extending that developed in Phase 1
6. **Grant & support programme for Tech Adoption** – a grant scheme for businesses to adopt new technologies and for increased productivity.
7. **Improving Your Resources Efficiency programme and grants** – a grant scheme for businesses to adopt new technologies processes for increased resource efficiency
8. **Implement Good Employment Standard/accredited model** – extending that developed in Phase 1
9. **Scale Up Programme**
Building on the West of England Scale-up Enabler work, we will ensure the region is providing the best environment for scaling and about-to-scale businesses develop and deliver a high impact enterprise scale-up programme focused on focussed on governance, leadership, coaching, investment and workspace. We have engaged expert support to help shape the programme based on what is current available in the market and where there are gaps, and will develop and deliver a high impact enterprise scale-up programme where there is a market gap
10. **Inclusive Economic Growth Lab**
Based on the model tried and tested by Engine Shed and extended across the region and more diverse sectors, to identify novel economic development opportunities and test with experimental short-term solutions, evaluate and identify long term delivery mechanisms for successful ideas. To be linked with University of Bristol's Inclusive Economy Initiative in TQEC to bring a practice-based and academic informed approach.
11. **Equity Investment Activity**
If it is deemed that the private sector will not fill the gap articulated in Phase 1 then a business case for an investment fund, or investment into an externally managed fund will be developed.

1.3 Project Objectives and Case for Change

This programme addresses the productivity challenge identified in the West of England Local Industrial Strategy. The strategy sets the ambition that “businesses of all sizes in the West of England will fulfil their potential, improving performance, resilience and sustainability, and enabling them to grow and offer a wide range of good quality jobs.”

The project’s core objectives are:

1. To increase **productivity** across the regional economy,
2. Enable and encourage long-term, sustainable and **inclusive growth**, and
3. Reduce **climate impact**.

And we will set the following, measurable objectives:

1. To lift the productivity of small and medium-sized businesses across the West of England;
2. To increase employment including in scale-up businesses in the region;

3. To raise business start-up rates and productivity growth among communities currently disengaged from business;
4. Increase business resilience, maintaining the low 'churn' of businesses in our economy;
5. To increase businesses' carbon efficiency and maintain the West of England's reducing overall carbon impact.
6. Raise levels of diversity in boards and workforces in West of England businesses

The case for change is set out in the LIS: *"the growth of a large number of businesses in the region remains slow with gains held back by the slow uptake of technology and modern management practices. Challenges also remain in the diversity of entrepreneurship within the region. Businesses could do more to take the opportunities to lift their productivity, and to spread the benefits of growth to their employees. The national Industrial Strategy recognises that the country has some of the most productive businesses, people and places in the world but also a 'long tail' of underperformance, which is constraining productivity. This national challenge is particularly pronounced in the West of England."*

1.4 Rationale for Public Intervention

Despite being home to some of the highest performing multinational corporations, the UK has a particularly high proportion of less productive companies – also known as the 'long tail' – when compared with our international peers (Ref. McKinsey & Company). Moreover, research by the Office for National Statistics shows there is greater variation within, rather than between regions and sectors for business productivity⁴, which suggest there are intrinsic challenges facing this 'long tail'. The top performing quartile of corporates are roughly between two to five times more productive than the bottom⁵ and, since the crisis, the gap between the leading and lagging performers appears to have widened more in the UK in comparison to peer nations⁶. These underperforming firms share several traits. They are typically smaller organisations⁷, weak adopters of existing 'best practice' in management and technology⁸ and are less likely to engage in exporting and innovative activities⁹. This provides a steer for us to focus on this long-tail – as that is where the opportunity to stimulate increased GVA exists – and in which areas to intervene.

The inference is that smaller firms within this 'long tail' have not been able to help themselves and so interventions are required to both change the mindset and provide the support to those businesses. There is little or no broad awareness of the relationship between the competency and capacity of business boards within businesses, for adopting best practices in management and technology. Even less so, when it comes to inclusion within business and how that drives productivity¹⁰.

⁴ Office for National Statistics, Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: "the laggards", July 2017

⁵ ibid

⁶ Bank of England, Andrew Haldane, The UK's Productivity Problem: Hub No Spokes, June 2018

⁷ Office for National Statistics, Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: "the laggards", July 2017

⁸ Confederation of British Industry, From Ostrich to magpie, November 2017

⁹ Enterprise Research Centre, Goldman Sachs, & British Business Bank, Unlocking UK Productivity, November 2015

¹⁰ McKinsey & Company: <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

This programme will, through a coherent series of activities, demonstrate to businesses that better practices, and the ability to make good business decisions around that, will lead to economic improvement in their own businesses, and thus regional – and national – economic growth. If activities to improve productivity in the short or long term are not funded there will be no incentive to businesses within the ‘long tail’ to adopt new practices to improve their productivity.

1.5 Strategic Fit

West of England Local Industrial Strategy (LIS)

The region’s Local Industrial Strategy is based around the delivery of four key priorities: cross-sectoral innovation, inclusive growth, productivity challenge, innovation in infrastructure. Delivery against these priorities will ensure the region is a force for clean and inclusive growth.

The West of England is home to a diverse range of innovative, dynamic and fast-growing businesses. The region creates successful businesses, with strong growth of scale-ups and high rates of business survival. However, the overall rate of start-ups is lower than average, the record on exporting is mixed, and the national challenge of a ‘long tail’ of low productivity firms is particularly acute here.

In order to address the productivity challenge in the West of England, the LIS highlights a number of projects, programs and initiatives, including, for example, evolving the West of England Growth Hub offer.

The suite of initiatives proposed in this Business Case all directly respond to the region’s productivity challenge and, further, are actually delivering a number of the projects and programmes already highlighted as part of the LIS implementation next steps. Further, these initiatives are directly creating new jobs and increases in GVA, delivering on the Investment Fund’s primary value for money indicators.

National Industrial Strategy

The National Industrial Strategy has key policies around: raising R&D investment; improving the growth and productivity of SMEs; and creating Local Industrial Strategies that build on local strengths. It recognises that the country has some of the most productive businesses, people and places in the world but also a ‘long tail’ of underperformance, which is constraining productivity. With this national challenge being particularly pronounced in the West of England, this Business Case is directly helping resolve national challenges at the local level.

The South West England and South East Wales Science and Innovation Audit (SWW-SIA)

The SWW-SIA audit concluded that this region can lead the UK and compete with the world in advanced engineering and digital innovation. In order to achieve this, strong integration of scientific excellence within universities and institutes, with an innovative industrial sector ***with a thriving SME population***, will lead to substantial job creation and sustained economic growth. Addressing the productivity challenge with underperforming SMEs is therefore important for this region to deliver on its SWW-SIA potential.

Further Local Priorities & Evidence

Not only is this Business Case delivering against the LIS priority around productivity, but it will also influence other LIS priorities, in particular inclusive growth. Further, it aligns well with aspirations in the region's adopted Employment & Skills Plan (ESP), particularly around how inclusion and leadership practices are important for improving productivity.

In the West of England, 99.6% of our 43,100 businesses are SMEs and there is a raft of evidence demonstrating poor SME uptake of tried-and-tested technology and poor management practices, which both impact productivity:

- The Association for Independent Accountants and Lawyers find that 27% of SMEs continue to use basic computer programmes such as spreadsheets for bookkeeping; this is inefficient and ineffective and impacts productivity.
- A recent poll found that roughly 40% of SMEs didn't think upgrading their small business technology would have a significant impact on business efficiency (Ref: Entrepreneur Europe publication, Aug 2018).
- Skills training - According to the UK200Group, 22% of SMEs still using manual record keeping will need to train a member of staff to move data into new software systems that meet the requirements of Making Tax Digital legislation.

Productivity – The Business Case

$$\text{Gross Value Added per worker} = \frac{[\text{Turnover/sales} - \text{Intermediate consumption (non-capital purchases)}]}{\text{Workers (employees and working proprietors)}}^{11}$$

Efficiency is about doing the same with less, while productivity is about doing more with the same¹², according to one useful framing. That means understanding how to drive higher turnover by introducing new products and services, adjusting business strategies, adopting new management techniques, and engaging in technological investment and innovation to extract more value from a business' workforce and processes. Measuring and monitoring one's business productivity against the industry standard is an important step in assessing organisational performance¹³.

Thus, harnessing a 'productivity mindset', which focuses on continuous improvement, is crucial in helping businesses to meet their priorities in the long-term. It encourages a more dynamic business-wide awareness – which is needed to manage risks, remain agile, and be competitive¹⁴ – than a single focus on basic financial metrics. Solely targeting profitability can however detract from making necessary, but costly, investments, which help to underpin long-term growth, while an emphasis on cost reduction, can divert attention from value creation.

The planned activities within this scheme support this approach by enabling business leadership to make informed decisions at leadership level.

¹¹ Office for National Statistics, How productive is your business? July 2018

¹² Harvard Business Review, Great Companies Obsess Over Productivity, Not Efficiency, Michael Mankins, March 2017

¹³ Office for National Statistics How productive is your business?, July 2018, *Be The Business*, <https://app.Be the Business.com/>

¹⁴ The Impact of Total Quality Management on Financial Performance: Evidence from Quality Award Winners, Singhal and Hendricks, March 2000

1.6 Options Appraisal

The project is establishing an innovative evaluation model that will allow ongoing assessment of the performance of sub-projects. That will enable the project to learn about what works and evolve the approach to incorporate innovative approaches while ensuring that the objectives are met.

The LIS describes the causes of low productivity and these interventions have been chosen to address these identified causes directly. Most of the proposed interventions are listed in the “LIS Next Steps” commitment document and alternative options for those interventions are therefore not considered here.

Implicit in this FBC is the correlation between treating this set of interventions, and design for subsequent interventions, as supporting a movement towards increased productivity at both firm and regional level, alongside greater inclusive growth and climate impact reduction. The impact is therefore the regional improvement in productivity growth and the sister impacts relating to inclusion and climate impact, per previous comments. All interventions deliver against these impact objectives.

However, the interventions each work through different mechanisms (which are complementary) and these are further clarified in Appendix 3 with the type of output that will be delivered and an indication of the relative scale. A degree of flexibility is built into the programme to ensure that the mix of interventions can be adjusted during the course of delivery as a result of continuous learning about effectiveness. This will ensure that the overall impact objectives are targeted in the most effective way.

We have appraised a number of options against the likely impact of a number of outcome-based scenarios.

Red: it is unlikely that the criteria will be met

Amber: the criteria may be met

Green: it is likely that the criteria will be met

	1	2	3	4	5	6	7	8	9	10
1. Do nothing	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
2. Advice and signposting support for SMEs – leaving all provision to private sector	Amber	Red	Amber	Red	Red	Amber	Red	Amber	Red	Red
3. Implement identified activities without board-level focus, and development	Green	Amber	Green	Amber	Red	Green	Green	Green	Amber	Green
4. Implement identified activities in a piecemeal approach	Green	Amber	Amber	Amber	Red	Amber	Amber	Amber	Amber	Amber
5. Delay implementation	Green	Green	Green	Green	Green	Green	Amber	Green	Green	Red
6. Implement entire program (including pre-empting design elements of phase 1) in a single phase now	Green	Green	Green	Green	Green	Green	Amber	Amber	Green	Green
7. Implement package, as outlined, with mix of design and implementation	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
8. Phasing the programme over a longer period	Amber	Green	Green	Green	Green	Green	Amber	Green	Green	Amber
9. Alternative options to the Universal Business Support offer	Amber	Green	Green	Green	Green	Green	Red	Red	Green	Amber
10. Alternative options to the proposed IP Support	Amber	Green	Green	Green	Amber	Green	Red	Green	Green	Amber

intervention										
11. Alternative options to the proposed Mentoring for Growth intervention										
12. Alternative options to the proposed Productivity through People intervention										
13. Alternative options to the proposed Collaboration Networks intervention										

The criteria used to assess each option:

1. Improved short-term productivity of individual businesses
2. Improved long-term productivity of individual businesses
3. Increase in regional GVA
4. Increased levels of inclusion in the region
5. Provision of adopting best management and technology practice likely to continue to be provided post-funding, by the private and third sectors
6. Reduced carbon impact within the region
7. Potential to leverage available funding
8. Strategic involvement of partners, including Local Authorities
9. Long term growth that is inclusive and clean
10. Accelerated economic growth through productivity for high-quality, well-paid jobs

Option 7 is chosen as the optimum solution to the Productivity Challenge whilst delivering inclusive and clean growth, that is manageable in the time frame that we have and available funding window.

Option 3 has been discounted based on the premise on which this FBC is built, for which emergent evidence is available and has been identified elsewhere. To achieve systemic change we need to ensure we maximise the senior buy-in of all interventions and achieve the mindset change that has been requested from Government and others.

Option 4 was discounted based on the principle, described previously in this FBC, that the benefits of implementing the package of interventions as a whole are more likely to provide both the short term and long-term impacts across the 'long tail' of productivity.

Option 5 could be adopted at the expense of accelerating delivery of impact. As we have declared a Climate Emergency, time is of the essence.

Option 6 was discounted because of the need to explore, test and design extension programmes in the first phase. It would be inappropriate to pre-empt what those pieces of work would produce.

Option 8 was discounted on the basis that the funding is available now, we can build in adaptability to ensure effectiveness and value for money, and that the LIS has committed us to deliver on this area of activity as quickly as possible.

Option 9 has been discounted on the basis that we are able to trust the UAs to define their specific, local needs and to deliver an ongoing programme in the same vein as they did the previous EWoe scheme, which has been proven successful. We will put appropriate constraints within the contract with the UAs to ensure, and assure, coherence to this programme's objectives and principles.

Options 10-13 have been considered, and flexibility left within the proposed activities to find alternative providers and, by implication, revised methods of intervention. The methodology is guided by the Government-sponsored think-tank and accepted on that basis. We have built in appropriate ongoing monitoring and evaluation that will ensure we adapt, cease or increase the activity according to emerging best practice, funding available and performance of the proposed intervention.

1.7 Environmental Sustainability Considerations

It is important to understand that reducing environmental impact, within a business, is not only crucial to our aspiration and commitment to reducing climate impact, but is as likely to be a productivity boost as well – by reducing the cost of consumables and product manufacture and in recruitment and retention of the younger demographic workforce¹⁵. Core to this programme is a thread of board-level influencing that helps businesses understand and adopt best business practices, in terms of sustainability, with an approach that encourages decisions to be for the long-term, at the highest level in the organisation. This will include the promotion of B-Corporations that are certified to highest standards of verified social and environmental impact. The West of England has a disproportionately high number of B-Corps, within the UK¹⁶ and this propensity should be built on.

All aspects of business support provision will, wherever possible, include:

- the promotion of best environmental practice and signpost to expertise that can provide further support, be that provided by this programme or elsewhere,
- the promotion of adopting Environmental Management Systems,
- Delivering programmes digitally where appropriate,
- the encouragement of business leaders to understand and develop techniques in management of business risk associated with climate change.

Additionally, all business support will be delivered in a manner that minimises environmental impact and strives to be visibly exemplary in environmental sustainability.

1.8 Equality and Diversity Impact Assessment

Central to this programme is the promotion of diversity and inclusive practices being supportive of higher levels of productivity and thus business competitiveness. Communications around the work of this programme will propagate this message to encourage a more diverse workforce at all levels in organisations.

¹⁵ Willness, C. R., & Jones, D. A. 2013. Corporate Environmental Sustainability and Employee Recruitment: Leveraging “Green” Business Practices to Attract Talent. In A. H. Huffman & S. R. Klein (Eds.), *Green Organizations: Driving Change with I-O Psychology* (pp. 231-250). Routledge Academic.

¹⁶ As of 2018, there were 7 B-Corps in Bristol out of 175 in the UK. If WoE has a population of 1.1m out of a UK population of 66.4m, then we would expect 3 B-Corps, proportionally.

<https://www.bristol247.com/business/features-business/sector-spotlight-b-corps/>

This concept will be embedded into an Equal Opportunities Policy and Implementation Plan that will be prepared for this programme, which will be followed by WECA and all project partners, if partners do not have their own. As well as setting out how WECA will meet its statutory duties, the implementation plan will cover:

- How equality and diversity training will be delivered to the WECA project team.
- Monitoring of applicants by characteristics on award of grants – sex, race, disability, age (with a view to identifying any significant under-representation)
- Actions to help ensure that WECA staff have equality objectives in personal development and appraisal processes
- How the project(s) will monitor its performance in terms of representation of different groups and effectiveness in supporting different groups (results)
- Proactive support of under-represented communities
- Promotion of the value, and business benefits, of a diverse workforce, and
- Monitoring the increase in diversity of business boards and workforces.

In 2016, a report commissioned on behalf of the LEP entitled 'Incorporating Diversity: Research into Women-led and BAME-led businesses across the West of England' was published, incorporating a number of recommended interventions. This programme will help address some of these recommendations, namely:

- Ensuring opportunity of access for BAME and women-led businesses to procurement contracts and funding,
- Working with partners to establish a one-stop-shop for support around accelerated growth,
- Ensuring opportunity for skills development and capacity building in line with new trends and opportunities in the area.
- Providing open channels of communication between the LEP and BAME and women-led businesses.

Any SMEs that receive funding from this programme will be required to demonstrate that they:

- Know what the key equality and diversity (people) issues are in relation to the project and its objectives;
- Are clear about what they can and will do to proactively engage with these issues;
- Are clear about what the benefits of doing this will be and how these benefits will contribute to the WoE Vision and the LIS' innovation objectives.

Equality and diversity are core principles of WECA and, in operating this programme, we will promote equality between all applicants, ensuring that businesses and projects led by minority groups are equally able to benefit from the programme. All marketing activity will be audited for unconscious bias with neutral language and imagery a default. Similarly, we will also specifically ensure that BAME-led businesses or other stakeholders from non-White British ethnic origin are able to access this programme, this will include making project information available in other languages.

2 Economic Case

2.1 Economic Appraisal

Economic case

The economic case for this programme is based on raising the productivity of the businesses supported. The outputs of the programme will consist of:

Investment Activity	No. of Interventions	No. businesses receiving meaningful intervention	No. distinct businesses receiving meaningful intervention	Businesses created	Jobs created
Growth Hub LEP Core Business Support offer	2,400	600	300		
IPO regional expert to support local business	1,080	120	60		
Improving resource Efficiency (IRE)	100	25	13		
Export Support Project (DIT)	1,080	100	100		
Universal Business Support	7,930	4,166	2,083	247	275
<i>Be the Business Strategic Alliance</i>					
Mentoring for Growth	300	300	150		
Tech Adoption Programme	100	25	13		
Productivity through People	45	45	23		
Benchmarking tool & business diagnostic tools	2,400	600	300		
Collaborative Networks / Peer to Peer Support offer	200	50	25		
	15,635	6,131	3,065	247	275

These targets are based on the knowledge and experience developed through the design, delivery and management of projects and initiatives in the sub region. These include Enterprising West of England* (EWoE), Improve your Resource Efficiency (IYRE), Growth Hub, SETSquared Business Acceleration Hubs, and additional ERDF programmes at a regional and national level.

The interventions are innovative and will be evolved as the programme develops. As a result, some outcomes will be long term and not immediately measurable. However, two approaches allow a range of impacts to be indicated. Firstly, experience from the South West Competitiveness ERDF programme provides a comparator of the benefits generated by enterprise support interventions. Secondly, an assessment has been made of the impact of raising the productivity growth rates of the

beneficiary businesses to target levels. We have allowed for, on average, each company being in receipt of two interventions.

The economic appraisal is based on intervention level anticipated impacts for each different activity. These were estimated based on prior experience and evaluation of similar interventions.

The 15,635 interventions identified in the business case are total low intensity business interactions. We have determined the definition of these interventions in line with the BEIS definition of a low intensity interaction of at least one hour of support. The number of actual beneficiary businesses is 6131, based on the anticipated impacts for each intervention.

We consider 3065 distinct businesses will have received enough interventions and have acted on them to qualify as having gained measurable impact – based on an assumption that, on average, each business has two interventions. This represents the upper limit of achievable outcomes. This provides an average conversion rate of intervention to unique meaningful intervention of 19.6%.

We will use the M&E process to learn from how our clients interact with the programme of interventions and revise the potential outcomes and impacts accordingly.

The following have been used in the derivation of these figures:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772808/business-support-evaluation-framework.pdf

<https://www.gov.uk/government/publications/evaluating-business-support-interventions-a-productivity-based-approach>

The UBS outputs have used the present EWoe engagement, intervention rates and unit output costs as a base line, which has then been built upon. The intervention, business start-up and job creation targets have then been estimated by each UA, who have used their experience of commissioning business support services and projected their own strategic delivery aspirations to this base line, some having a greater focus on job creation, where others are more focussed on business start-up. These targets take into account the increases in time that can be spent by providers delivering interventions and not devoting disproportionate amounts of time completing ERDF paperwork and the increases in efficiency of delivery that has been built up in the delivery of EWoe.

Macroeconomic estimate: An assessment of economic indicators has been conducted for the West of England economy. This provides an approximate indication of the potential scale of productivity and GVA impacts that could be achieved through the programme. These are approximate figures based on reasonable but simplified assumptions and targets for the businesses taking part.

The estimate has been prepared by calculating the significance of the beneficiary businesses in the regional economy, based on employee numbers. This allows the effect of raising productivity in these firms on the economy as a whole to be estimated.

The calculations are based on applying the average productivity uplift to the number of businesses who will benefit from the programme, weighted by number of employees. As such, it should be viewed as an indicative estimate of the potential benefit, rather than a precise target. Measuring a

programme of this sort with precision is unlikely to be possible, given the complexity of the range of interventions, the innovative approach, and the adaptive/evolving approach taken with the mix of interventions.

Step 1: Target beneficiary numbers. The total average conversion rate of businesses receiving a meaningful intervention that will see a productivity benefit is 19.6%. With the output numbers indicated above, the businesses benefiting from growth in productivity will number 3,065. The economic appraisal is based on intervention level anticipated impacts across the number of businesses receiving interventions. The rationale is described above.

Step 2: Target productivity uplift. For these 3,065 distinct businesses benefiting from the programme, a target has been set for 80% to lift their individual (i.e. per firm) productivity by 1% per year, and 20% to lift by 2% per year. These figures compare with an average annual productivity growth rate in the West of England of 0.1% from 2010. However, they are believed to be realistic targets: the UK average growth rate since 2010 has been 0.5%, and the UK long-run average between 1960-2007 was 2.2%.

Step 3: Weighting the beneficiaries. The impact on the economy of these businesses achieving this improvement has been estimated based on the relative size of the businesses covered by the programme. It has been assumed that all businesses currently operate at the regional average level of productivity. Based on employment size, the beneficiary businesses are estimated to generate approximately 4.5% of the region's GVA.

Result: The increases in these businesses' productivity would increase the region's overall productivity growth rate from 0.1% to 0.15%, generating a GVA uplift of £8.35m per year, or £25.42m compounded over three years. In addition, an estimated 275 new jobs will be created, delivering a further £14.66m GVA, making a total of £40m GVA over 3 years.

Given the nature of these figures, they are presented as direct effects only, with no multiplied added to calculate indirect benefits.

***Case Study Enterprising West of England (EWOE)**

As a proxy for GVA impact the project review for EWOE recently undertaken by Wavehill, provides the basis of the potential impact of the Universal Business Support service. Among the resident respondents who had started a business the average turnover was £27,037 a year after the programme had completed. Given 47 per cent of individuals established businesses since engagement with the EWOE programme, scaling this to the population estimates that the increase in turnover amounts to £9.8 million.

Prior to the programme the average turnover of the supported established businesses was £241,594. Following the intervention of the programme, the total turnover among businesses was an estimated £350,729, an average growth rate of 45.2%. Total turnover among the beneficiary businesses increased from £108 million at the baseline to £152 million in year after the programme.

The survey respondents indicated that, on average, they would attribute 37 per cent of this to the support they received on the programme. Taking these figures and applying to the established

businesses on the programme estimates that an average of £27,815 in additional turnover was attributable to the programme. In total £11 million in turnover was attributed to the programme by the beneficiary businesses.

Using average turnover ratios to estimate the GVA, the established businesses on the programme were estimated to have contributed £43 million in GVA to the West of England CA area. Following programme intervention GVA increased with turnover to £56 million with an average increase of £30,000 in GVA per business. GVA attributed to the programme was estimated to be £13.5 million. GVA from the residents who started a business was estimated at £3.5 million across all those supported in the EWOE programme.

In GVA terms the total uplift for EWOE was in excess of £17m. The total programme cost including both ERDF and public/ private match came to £3.8m, this then provides a cost benefit of 4.47. Which is considered to represent strong value for money and return on public investment.

Evidence from the What Works Centre on the impact of business support interventions has been considered. The toolkit <https://whatworksgrowth.org/policy-reviews/business-advice/toolkit/> is a set of policy design guides to help make informed decisions when developing business advice policy. The design guides cover specific aspects of programme delivery and are intended to help understand cost effectiveness, and considerations on using specific approaches.

The Wavehill review is the 'Summative Assessment' required as part of the EWOE ERDF monitoring. The evaluation looked to provide insight on both the design and processes of the programme as well as the impacts and outcomes. To achieve this the evaluation team gathered data on the supported businesses to support the monitoring data from the programme, reviewed the programme literature and interviewed delivery providers and partners to provide a comprehensive understanding of the EWOE programme. Sample frames were created to ensure the survey captured a representative range of the businesses in the sample group.

Among the P11 respondents who had started a business the average turnover was £27,037 a year after the programme had completed. Given 47 per cent of P11 individuals established businesses since engagement with the EWOE programme, scaling this to the population estimates that the new businesses supported through the programme generate approximately £9.8 million in sales per annum.

Prior to the programme the average turnover of the supported C1 businesses was £241,594. Following the intervention of the programme, the total turnover among C1 beneficiary businesses was an estimated £350,729, an average growth rate of 45.2%. Total turnover among the beneficiary businesses increased from £108 million at the baseline to £152 million in year after the programme.

Using average turnover ratios to estimate the GVA, the C1 beneficiaries on the programme are estimated to have contributed £43 million in GVA to the West of England CA area. Following programme intervention GVA increased with turnover to £56 million with an average increase of £6,803 in GVA per business. GVA attributed to the programme is estimated to be £2.8 million.

GVA from the P11's who started a business is estimated at £3.5 million across all those supported in the EWOE programme.

The survey respondents indicated that, on average, they would attribute 25 per cent of this to the support they received on the programme. Taking these figures and applying to the C1 population on the programme estimates that an average of £18,868 in additional turnover was attributable to the programme. In total £8 million in turnover was attributed to the programme by the beneficiary C1 businesses. For every £1 of ERDF contribution spent on the programme generated £4.21 in increased turnover among supported businesses (£8 million/£1.9 million).

2.2 Value for Money Statement

<i>Total project cost</i>	<i>5,056,000</i>
<i>Grant sought (EDF/LGF/RIF)</i>	<i>2,737,000</i>
<i>Net Quantified Benefits</i>	<i>0.15% Regional Productivity increase, 247 new businesses, 275 new Jobs, £40m compound GVA increase</i>
<i>VfM indicator*</i>	<i>GVA per £ spent = 7.93</i>

** Benefit compared to total cost including match funding*

Summary table of assumptions

<i>Criterion of assessment</i>	<i>Assumption</i>
Productivity	For the 3,065 businesses benefiting from the programme, a target has been set for 80% to lift their productivity by 1% per year, and 20% to lift by 2% per year. These figures compare with an average annual productivity growth rate in the West of England of 0.1% from 2010. However, they are believed to be realistic targets: the UK average growth rate since 2010 has been 0.5%, and the UK long-run average between 1960-2007 was 2.2%. The increases in businesses' productivity would increase the region's overall productivity growth rate from 0.1% to 0.15%. Each business in receipt of a low-level intervention will, on average, receive 2 medium-level interventions.
New Businesses	The target for new businesses is being delivered by the Universal Business Support Service, which is projected to be 495 across the life of the project. This is based on the partners experiences to date of EWoE programme and an assessment of the projects focus on resident start up. This figure is felt to be realistic and achievable due to the increases in VFM that PC challenge presents in comparison to the ERDF funding used to support EWoE.

Jobs	The target for new jobs is being delivered by the Universal Business Support Service, which is projected to be 550 across the life of the project. This is based on the partners experiences to date of EWoE programme and an assessment of the projects focus on increasing the productivity and growth of micro and small enterprises. This figure is felt to be realistic and achievable due to the increases in VFM that PC challenge presents in comparison to the ERDF funding used to support EWoE
GVA	This model is based on the GVA uplift due to productivity improvements of £8.35m per year, or £25.4m compounded over three years. The average, across geographies and sectors, GVA per new job, based on WoE 2017 data, is £53,302.

There are a range of additional benefits that will be associated with the productivity challenge in terms of additional inputs to the local economy. By increasing and coordinating the engagement and support of residents and businesses, additional products and services delivered by the WECA and its partners can be promoted. These include Future Bright, the Careers Enterprise Company, the Low Carbon Challenge Fund, Creative Scale Up programme and the planned Good Employers Standard.

The business case will also enable businesses and residents formalised and develop proposals for products and services that will lead to the generation of intellectual property and the commercialisation of these ideas.

There will be additional benefits derived through the programme such as IP, Patents, new products launched and jobs safeguarded that will be measured, although we are not setting targets on these metrics.

3 Financial Case

3.1 Chief Financial Officer sign off

A letter from the Head of Business and Skills which confirms the business case has been signed off and represents value for money, is attached as Appendix 1.

3.2 Scheme Cost

Revenue Elements

Cost Heading	Amount to be claimed	Amount of match	Total projected eligible expenditure
<i>Internal staff including overheads</i>	£1,251,000	£1,103,000	£2,354,000
<i>External consultants - procured by WECA</i>	£430,000	£0	£430,000
<i>Contracted to UAs</i>	£946,000	£1,106,000	£2,052,000
<i>Campaign Activity</i>	£110,000	£0	£110,000
<i>In kind support from IBB and Be the Business</i>	£0	£110,000	£110,000

3.3 Spend Profile and Funding Sources

Total Spend (£000s) - Revenue Only

	19/20	20/21	21/22	22/23	Total
WECA	£13	£1,334	£721	£669	£2,737
BEIS	£0	£328	£328	£328	£984
Be the Business	£0	£53	£18	£4	£75
IBB	£0	£30	£30	£30	£90
IPO	£0	£84	£0	£0	£84

Private sector match	£0	£60	£75	£75	£210
UAs	£0	£292	£292	£292	£876
Total	£0	£2,194	£1,464	£1,398	£5,056

The IBB match funding relates to the Export Support Project where we will be capitalising on the Inward Investment Campaign Programme to deliver a joint investment and trade activity. These are separate pieces of work being brought together and so there is no double accounting of IBB funding.

4 Commercial Case

4.1 Procurement

The programme will comply with all relevant WECA procurement requirements.

Procurement requirements fall in to four categories:

1. Significant contracts with UAs: local government procurement rules will be followed.
2. Hiring additional WECA staff: standard recruitment practices will be followed with appropriate contract terms to match timeframe of guaranteed funding.
3. Procuring specialist consultants, or consultant teams: within the relevant WECA procurement framework, appropriate tender processes will be followed to ensure best value, best quality, fair and socially valuable procurement whilst ensuring an appropriate level of expediency to fulfil the design needs of the programme.
4. Procuring work, ad-hoc or ongoing, from central Government agencies or projects: the relevant procurement framework will be used (such as with Be The Business, with whom an agreement is already in place with WECA) or not required for government provision (such as from the IPO).

4.2 Operation and Financial Viability

This programme comprises a number of design elements, totalling up to £470,000 which is necessary to bring in external advice that is rooted in the needs of the local business ecosystem, whilst bringing in national and international best practice. This work is time-bounded by its nature and so ongoing financial viability is not required. However, it is this work which will position this programme's 3-year interventions and interventions within the subsequent Extension phase, such that they build in business resilience and board-level understanding of productivity, inclusion and clean growth. This is designed to maximise the potential for businesses to procure the types of support in this programme, past the lifetime of this programme, from the private and third sectors. Thus, ongoing funding of this support is either not required or needed to a much lower extent. This also means that the potential 'cliff-edge' effect of the end of the funded programme is mitigated. That is an aspiration and is not guaranteed.

Furthermore, effective communications, as built into this programme, will encourage the private and third sectors to fill the increased market demand. This programme is thus setting a benchmark for good (inclusive, productive, resilient) business practice that businesses subsequently demand.

If the various sources of matched funding diminish – such as Growth Hub funding from BEIS – then the level of intervention will be reduced accordingly, focussing on where the most impact can be made. Effective governance and monitoring through the governance structure detailed below, will enable informed judgements to be made in this respect. Similarly, the Growth Hub management will continually seek, and be in tune to the availability of, additional relevant funds to secure or expand this programme.

It will be a condition of each of the design element instructions, that an analysis of the need for further funding or if not, what is required to ensure the need is met, should further funding not be forthcoming. Those findings will be published as appropriate and shared across WECA schemes.

4.3 Social Value Act

All delivery partners and contracted specialists will be local organisations as far as is reasonably practical. The outcomes of the project are anticipated to have social value by facilitating new and more sustainable jobs, bringing new products to market, establishing new networks and facilitating growth. Furthermore, interventions will be designed in a way that leads to market fulfilment of ongoing need by stimulating a market pull, and by building in diversity and inclusion at all levels, thus creating sustainable and inclusive local economic growth. Delivery of the project will be carried out in the spirit of the Act with a view to achieving the same outcomes.

5 Management Case

5.1 Promoter and Delivery Arrangements

The project will be led the Business & Skills Directorate of West of England Combined Authority, who already successfully lead the Growth Hub, working closely with delivery teams from Bristol, B&NES, South Gloucestershire and, when appropriate, North Somerset councils. WECA is well-placed to maximise uptake of the support available to residents through its longstanding relationships with these delivery teams and business support organisations across the region. The project team benefit from the support of other WECA teams and projects, as well as the CEO, Mayor, LEP and Scrutiny Committee.

A dedicated experienced project team, consisting of a project manager and project support officer, will run the programme within the Growth Hub brand over the three-year delivery period, including the identified, short-term ‘design’ activities. The project will operate from the WECA offices in central Bristol and will be delivered across the West of England area, including urban and rural areas.

The West of England’s Unitary Authorities are supportive of the project and their networks and contacts will also be utilised to build the pipeline of participants, including Local Authority teams and business and community organisations.

5.2 Project Governance and Delivery

How is the Project Governed?

Governance will be managed through the existing West of England Governance Structures. The ultimate owner will be the West of England Committee (or West of England Joint Committee, if North Somerset Council contribute to the programme) with detailed oversight delegated to the West of England Regional Business Board, comprising elected economic development leads in each Council.

The Service will present its annual plan with key activities outlined to the Regional Business Board for approval.

An Enterprise Advisory Panel will be evolved from the existing Growth Hub working group. The group will meet at least quarterly with a Chair invited from the LEP Board and strive to be representative of the constituencies we aim to support. It will report regularly to the LEP Board.

Ongoing partnership oversight will be provided through the regular Regional Economic Development Managers meetings run by the Head of Business & Skills. This forum will be used to provide regular, quarterly update reports on progress against targets and activity to each Council partner.

Day to day oversight will be delegated to the Service Lead for Enterprise, Trade and Investment in the Business & Skills Directorate in WECA.

How is the project to be delivered and by whom?

The project will be delivered by the established dedicated Enterprise, Trade and Investment team alongside the UA Economic Development Managers. The Growth Hub team sits within this and will be expanded as per this business case.

We will recruit a Programme Manager subject to confirmation of funding. Exactly how this fits into the current structure is being established and will be defined in due course.

Each UA has a business engagement/economic development team, who have a range of touch points with their local business community. This is commonly through both pro-active and reactive businesses visits where officers provide a client management role addressing business issues and signposting to growth and productivity services. This relationship enables officers to continue to remain in contact with these businesses enabling them to directly market business growth products and services as they become available. There are also a range of marketing and communication channels that are utilised to ensure that business and residents are informed and engaged to participate in support services. These include team specific social media channels, web sites and weekly/ monthly newsletters. Officers also occupy spaces at strategic locations such as rural hubs and business parks to enable more direct support. Additionally, each UA organise a range of business engagement events and business expos to promote specific programmes, products and services, which also provide opportunities to engage businesses and residents.

5.3 Programme Plan

Milestone completion dates	Baseline
Consultation with UA Economic Development Managers	October / November 2019
Full business case to WECA	November 2019
Full project plan to identify significant dates and timelines	January 2020
WECA Business Board review of Investment Fund application	November 2019
WECA Committee decision on funding through the Investment Fund	January 2020
Recruit Growth Hub Programme Manager (from which date eligible expenditure will be incurred)	February 2020
Draft UA and partner delivery funding contracts	March 2020
Start date of 3-year interventions	April 2020
Year 1 annual evaluation	June 2021
Year 2 annual evaluation	June 2022
Year 3 annual evaluation	March 2023
Final evaluation (3-year programmes)	April 2024
Start of procurement for Design projects	April 2020
Start date of Design projects	May 2020
Evaluation of Design Projects	October 2020
Activity end date (when all delivery activities in the funding agreement will be completed)	March 2023
Financial completion date	April 2024

Further detail on tasks for each intervention are included in Appendix 3.

5.4 Risks, Constraints and Dependencies

See Appendix 2.

5.5 Land Acquisition, Planning and Other Consents

Not applicable

5.6 Service Diversions

Not applicable

5.7 Engagement and Consultation

Extensive engagement (including “deep dives”) has taken place through the development of the West of England Local Industrial Strategy (“LIS”) and through discussions with the Government sponsored think-tank and promoter, *Be the Business* to determine the case for interventions to support the productivity challenge.

This programme has been co-produced with UA Economic Development Teams and included input from an expert adviser of economic growth activity, to position the proposed interventions in a coherent manner and for long-term benefit of the local economy.

In addition, three years of Growth Hub activity has provided a wealth of both user and management experience which has helped shape this programme.

By positioning all the proposed interventions within this Programme under the Growth Hub brand and with a common management, monitoring and evaluation model, there will be tight and timely monitoring of the effectiveness and ongoing engagement with end-users to assure effectiveness. Through timely user engagement, adjustments in style and method of delivery will be adapted to suit market failure as far as is reasonably practicable within this framework.

There will be regular reporting within the agreed governance model, notably with the UA Economic Development Managers and the LEP Board, as representatives of the private and third sectors.

There are a number of 'Design' elements within this Programme which will involve engaging external domain experts to develop the subsequent, Extension, phase of intervention, and inform the communications and details of some interventions within this Programme. These experts will be procured such that they bring extensive domain and end-user knowledge and provide opportunities for ongoing engagement in delivery of the Programme.

This programme is building on the 'deep dive' engagements during the development of the LIS and experience and engagement through EWoE.

5.8 Project Assurance

The evidencing of the delivery of meaningful and measurable outcomes will be critical to securing and retaining WECA funding and demonstrating programme success. The quality of the programme will be monitored regularly by WECA to ensure value for money and impact, with reference to the agreed governance structure outlined herein. Project assurance will also be provided through highlight reports, which will be produced on a quarterly basis by the project manager. External evaluators will provide input to delivery and annual reports. A comprehensive end of project evaluation process will also take place.

5.9 Monitoring and Evaluation

WECA will deliver monitoring & evaluation using the logic framework model. Grant funding agreements will also place a requirement on WECA to undertake quarterly monitoring and a summative assessment, which will be tailored to the outcomes and impacts the Productivity Challenge Implementation programme is seeking to achieve. The summative assessment will provide insights into project performance to enhance project implementation, reliable evidence of efficiency, effectiveness and value for money, as well as insights into what and why interventions work (or not), and lessons for the future. It will also provide project level evidence which, combined with national evidence of progress and impact (where available), will result in stronger evidence of the overall impact and effectiveness of the programme in relation to national productivity and growth indicators.

We are being encouraged to develop a 'movement' to lead systemic change. The implication of that is that there will be 'spill over' of higher regional productivity gains outside of the companies we intervene with. Nonetheless it will be important to distinguish the effects of different interventions where possible. A control group may not be the most appropriate mechanism for assessment given the complexity of the programme. We will engage with the What Works Centre for Local Economic Growth to gain input on how best to design the M&E approach to allow continuous improvement in the intervention mix and to identify where interventions are proving most effective.

The impact of incremental interventions that lead to systematic change and wider productivity gains can only really be measured at a regional level and over a longer period. Not least because data capture and analysis incur significant lag. This work to increase productivity is a key feature of the West of England Local Industrial Strategy. WECA tracks several indicators across the region that summarise the state of the region. These measures will illustrate positive change that we contribute to. WECA do not have full control over these measures because many other factors play a role.

	Indicator	Where we are now	Change in the last year	Change over 5 years & UK comparison	Source
Economic growth	Economic output (GVA)	£33.5bn	+2.0%	WofE: +18.1% UK: +20.1%	2017, ONS
	Productivity: output (GVA) per hour worked	£33.70	+1.8%	WofE: 11.1% UK: 11.1%	2017, ONS
Climate emergency	CO ₂ emissions (production)	5,230kt 27% business 29% households 44% transport	-3.3%	WofE: -23.6% per head from 2012 UK: - 25.2%	2017, BEIS
	Locally generated renewable electricity (& as a proportion of total regional electricity consumption)	477.7 GWh (9%†)	+17%	WofE: +110%* UK: +71%*	2018 (+2017), BEIS * changes over 4 years
Inclusive growth	Residents unemployed or inactive and want a job	47,800	+4%	WofE: -35% UK: -30%	2018, ONS
	Workers earning less than Real Living Wage	17%	-1.5 points	WofE: -4.3 points UK: -2.8 points (to 20%)	2019, ONS
	People aged	34%	+1.5 points	WofE: +4.9	2018, ONS

	16+ suffering with health conditions or illnesses 12 months+			points* UK: +1.9 points*	* changes over 4 years
	Gender pay gap	17% all workers 9% full time workers	-2.5 points (all) -2.9 points (FT)	WofE: -3 points (all); -4.2 points (FT) UK: -1.9 points (all); -0.7 points (FT)	2019, ONS
	Working people from ethnic minority backgrounds in management or professional roles	38% (34% of white workers)	-1.4 points	WofE: +1.7 points UK: +0.8 points	2019, ONS
Business	Business births as proportion of existing businesses	11%	No change	WofE: -2.3 points UK: -1.2 points	2018, ONS
	Business start-ups surviving five years	46%	No change	WofE: +1.1 points UK: +0.7 points (to 42%)	2018, ONS
	Trade in goods and services, as proportion of total output	28% of GVA	N/a	UK: 33% of GVA	2017, ONS & HMRC
	Foreign direct investment into region	[tbc]	[tbc]	[tbc]	2018-19
	Investment in Research and Development as proportion of output (GVA)	1.7%	N/a	N/a	2015, Smart Specialisation Hub
Skills	Employers with hard to fill vacancies	13%	N/a	UK: 8%	2017
	Qualifications: 16-64 year olds with	46%	-1.5 points	WofE: +8.4 points UK: +4.3	2018, ONS

	NVQ Level 4+ qualifications no qualification at NVQ Level 2 or higher			points (to 39.2%)	
		18%	No change	WofE: -4.5 points UK: -2.6 points (to 25%)	
	16-17 year olds not in education, employment, or training	6.6%	No change	WofE: +3.7 points England: +1.6 points (to 5.5%)	2018, DfE
	Learners completing an apprenticeship	5,057	+1%	WofE: +4.9%** England: +5.8%**	2017-18, DfE ** changes over 3 years

The cumulative impact of the application of the Local Industrial Strategy will be measured by WECA on an ongoing basis. Whilst every effort will be made to identify short term narrow focussed measures, it will be important to recognise the long-term regional impact. WECA have already established measures for reducing climate change which we can learn from through the Low Carbon Challenge Fund project.

In addition to the region wide measures identified above, the following measures have been identified that will be considered for each of the programme interventions:

Investment Activity	Type of output	Timing	Outcome
Growth Hub LEP Core Business Support offer	Number of website hits Website referrals Customer satisfaction Number of cross-referrals	Quarterly Quarterly Annual survey Annual review	Value to businesses measured through customer satisfaction
IPO regional expert to support local business	Number of 1-hour interventions Number of new products/designs/etc registered with appropriate IP	Quarterly Annual	Revenue increase / new jobs from new products
Improving resource Efficiency (IRE)	Number of interventions Number of businesses	Quarterly Annual	Cost saving / new revenue from new processes

	implementing new processes		
	Carbon reduction	Annual	
Export Support Project (DIT)	Number of investment and trade missions supported to include trade activity	Annual	Number of businesses starting / increasing exporting
	Number of trade businesses engaging in Investment and Trade missions	Annual	Revenue value of new exports
	Number of 1-hour interventions	Quarterly	
Universal Business Support	Number of 1-hour interventions	Quarterly	Productivity improvement
	Number of medium-intensity interventions	Quarterly	New start-ups Direct jobs created
Mentoring for Growth	Number of mentors recruited	Annual	Revenue benefit of businesses changing practices
	Number of mentoring relationships established	Annual	
	Number of mentoring relationships successfully finished	Annual	
Tech Adoption Programme	Delivery of fully designed and costed Full Business Case proposal	Time based	Recognised way forward to implement tech adoption programme
Productivity through People	Number of places on Productivity through People programme provided and completed	Annually	Number of businesses & revenue benefit of changing practices
Benchmarking tool & business diagnostic tools	Number of businesses using Benchmark tool	Quarterly	Uptake of subsequent support services.
	Number of referrals to support services originating from tool	Quarterly	Number of businesses & revenue benefit of changing practices as a result
Collaborative Networks / Peer to Peer Support offer	Number of P2P networks supported	Annual	Number of businesses & revenue benefit of changing practices as a
	Number of additional	Annual	

	businesses involved in networking Business survey of satisfaction with networking /P2P opportunities	Annual	result Value to P2P networks measured through customer satisfaction
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Scheme: Productivity Challenge Delivery Programme

Short description of Scheme:

This scheme will deliver multiple business competitive interventions primarily aimed at tackling the productivity challenge, but also support other strands of the Local Industrial Strategy. Core objectives are to increase **productivity** across the regional economy; to enable and encourage long-term, sustainable and **inclusive growth**; and to reduce **climate impact**.

The productivity challenge delivery programme has the ambition to achieve systemic change in our economy by delivering a range of interventions that support enhancing the capacity and capability of business leadership of all sizes and types of enterprise, to drive good decision making, profitability and sustainability in businesses. This approach enables leaders of businesses of all sizes to make the best decisions to drive inclusion, innovation adoption, reduced carbon footprint and productivity within their business, holistically.

Milestone completion dates	Baseline	Actual Completion
Consultation with UA Economic Development Managers	October / November 2019	October / November 2019
Full business case to WECA	November 2019	
Full project plan to identify significant dates and timelines	January 2020	
WECA Business Board review of Investment Fund application	November 2019	November 2019
WECA Committee decision on funding through the Investment Fund	January 2020	
Draft UA and partner delivery funding contracts	March 2020	
Start date of 3-year interventions (from which date eligible expenditure will be incurred)	April 2020	
Year 1 annual evaluation	June 2021	
Year 2 annual evaluation	June 2022	

Year 3 annual evaluation	March 2023	
Final evaluation (3-year programmes)	April 2024	
Start of procurement for Design projects	April 2020	
Start date of Design projects	May 2020	
Evaluation of Design Projects	October 2020	
Activity end date (when all delivery activities in the funding agreement will be completed)	March 2023	
Financial completion date	April 2024	

Logic Model

Context and Rationale
<p><i>Provide a brief description of the strategic and policy context (link to local and national strategy policy). Briefly describe the market failure rationale for the intervention.</i></p> <p>Drawing on the unique strengths of our region we seek to tackle the immediate environmental, economic and societal challenges that face us, by setting an ambitious plan to be a driving force for long-term, sustainable, clean and inclusive growth.</p> <p>Our West of England strategy sets out how we will work with local and national partners to deliver activities under the themes: Cross-sectoral Innovation, Inclusive Growth, Business Competitiveness and Innovation in Infrastructure. This programme, with multiple interventions and two phases, delivers on Business Competitiveness (The Productivity Challenge) but includes themes which support the other strands.</p> <p>Our core objectives are therefore:</p> <ul style="list-style-type: none"> • To increase productivity across the regional economy, • Enable and encourage long-term, sustainable and inclusive growth, and • Reduce climate impact - in response to the climate emergency. <p>The productivity challenge delivery programme has the ambition to achieve systemic change in our economy by delivering a number of interventions and creating an environment where the public, private and 3rd sector deliver supportive activities for long term resilience and growth without ongoing reliance on public sector funding. We will achieve this by strategically positioned, coherent interventions that support enhancing the capacity and competency of business leadership of all sizes and types of enterprise, to drive good decision making, profitability and sustainability in businesses. This approach enables leaders of businesses of all sizes to make the best decisions to drive inclusion, innovation adoption, reduced carbon footprint and productivity within their business, holistically. In the process they are more likely to demand more from the public and third sectors: we are enabling the demand so that the current market gap is filled in the longer term. We include social enterprises within the ‘business’ label.</p> <p>To maximise the opportunity and impact we need to develop a set of interventions as a single package, and sustainability – of business and the environment in tandem – underpins this strategy. This programme addresses the productivity challenge identified in the West of England Local Industrial Strategy. The strategy sets the ambition that <i>“businesses of all sizes in the West of England will fulfil their potential, improving performance, resilience and sustainability, and enabling them to grow and offer a wide range of good quality jobs.”</i></p> <p>The case for change is set out in the LIS: <i>“the growth of a large number of businesses in the region remains slow with gains held back by the slow uptake of technology and modern management practices. Challenges also remain in the diversity of entrepreneurship within the region. Businesses could do more to take the opportunities to lift their productivity, and to spread the benefits of growth to their employees. The national Industrial Strategy recognises that the country has some of the most productive businesses, people and places in the world but also a ‘long tail’ of underperformance, which is constraining productivity. This national challenge is particularly pronounced in the West of England.”</i></p> <p>Despite being home to some of the highest performing multinational corporations, the UK has a particularly high proportion of less productive companies – also known as the ‘long tail’ – when compared with our international peers (Ref. Mckinsey & Company). Moreover, research by the Office for National Statistics shows there is greater variation within, rather than between regions and sectors for business productivity¹⁷, which suggest there are intrinsic challenges facing this ‘long tail’. The top performing quartile of corporates are roughly between two to five times more productive than the bottom¹⁸ and, since the crisis, the gap between the leading and lagging performers appears to have widened more in the UK in comparison to peer nations¹⁹. These underperforming firms share several traits. They are typically smaller organisations²⁰, weak adopters of existing ‘best practice’ in management and technology²¹, and are less likely to engage in exporting and innovative activities²².</p> <p>This provides a steer for us to focus on this long-tail – as that is where the opportunity to stimulate increased GVA exists – and win which areas to intervene. The inference is that smaller firms within this ‘long tail’ have not been able to help themselves and so interventions are required to both change the mindset and provide the support to those businesses. There is little or no broad awareness of the relationship between the competency and capacity of business boards within businesses, for adopting best practices in management and technology. Even less so, when it comes to inclusion within business and how that drives productivity²³.</p> <p>This programme will, through a coherent series of activities, demonstrate to businesses that better practices, and the ability to make good business decisions around that, will lead to economic improvement in their own businesses, and</p>

¹⁷ Office for National Statistics, Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: “the laggards”, July 2017

¹⁸ ibid

¹⁹ Bank of England, Andrew Haldane, The UK’s Productivity Problem: Hub No Spokes, June 2018

²⁰ Office for National Statistics, Understanding firms in the bottom 10% of the labour productivity distribution in Great Britain: “the laggards”, July 2017

²¹ Confederation of British Industry, From Ostrich to magpie, November 2017

²² Enterprise Research Centre, Goldman Sachs, & British Business Bank, Unlocking UK Productivity, November 2015

²³ Mckinsey & Company: <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

thus regional – and national – economic growth. If activities to improve productivity in the short or long term are not funded there will be no incentive to businesses within the ‘long tail’ to adopt new practices to improve their productivity.

Not only is this Business Case delivering against the LIS priority around productivity, but it will also influence other LIS priorities, and in particular, inclusive growth. Further, it aligns well with aspirations in the region’s adopted Employment & Skills Plan (ESP), particularly around how inclusion and leadership practices are important for improving productivity.

Direct intervention level evaluation will be carried out within the term of the programme and monitoring and evaluation of the regional impact of the project will continue after the end of the project by existing WECA infrastructure.

Objectives	Resources/ Input	Activities	Outputs	Direct & Indirect Outcomes	Impact
<i>The aims/ objectives of the scheme are: (Ensure that <u>all aims/objectives are SMART</u>)</i>	<i>In order to achieve the set of activities to fulfil these aims/ objectives we need the following: (Resources should not be limited to money e.g. grant, match funding, in-kind, project team, specialist support, etc. The inputs define the scope of the project being considered in the logic model)</i>	<i>In order to address the aims and objectives we will accomplish the following activities: (What will the money be used for? e.g. construction, project management, equipment/fit out, etc):</i>	<i>We expect that, once accomplished these activities will produce the following deliverables: (Provide measurable outputs e.g. length of new road/cycle path, m² of space constructed/refurbished, number of businesses supported, learners engaged, etc)</i>	<i>We expect that if accomplished these outputs will lead to the following <u>change</u> e.g. new products or services, skills, behaviour, new business/contracts etc: (Ensure that <u>all outcomes are SMART and relevant</u> to the aims/objectives to allow for <u>attribution</u>; distinguish between direct and indirect outcomes)</i>	<i>We expect that if accomplished these activities will lead to the following changes in service, organisation or community: (quantitative economic impacts e.g. indirect jobs and/or GVA to be <u>cross-referenced</u> with FBC as appropriate)</i>
<ul style="list-style-type: none"> • Increase the region’s overall productivity growth rate from 0.1% to 0.15%, generating a GVA uplift of £16.7m per year, or £50.8m compounded over three years. 	<ul style="list-style-type: none"> • WECA Investment Funding • Match funding BEIS, UAs, Private • SME participants • New (and existing) staff • Facilities for staff i.e. space, IT, etc. • Marketing and communications • Knowledge transfer • Consultants 	<ul style="list-style-type: none"> • Benchmarking and diagnostic tools • Board Development • Technology Adoption programme • Public procurement support • Improving Resource Efficiency • Good Employment standard • Equity Investment Activity • Mentoring for Growth • Productivity through People • Collaboration Networks • Enhanced Growth Hub • Universal Business Support • Active export support (DIT) project • IP Support for SMEs 	<ul style="list-style-type: none"> • Across the full range of activities 15,635 interventions will be delivered to businesses across the West of England • The number of businesses receiving meaningful interventions (as defined by BEIS as medium intensity) that will see a productivity benefit is 3065. 	<ul style="list-style-type: none"> • For these 3,065 businesses benefiting from the programme, a target has been set for 80% to lift their productivity by 1% per year, and 20% to lift by 2% per year. These figures compare with an average annual productivity growth rate in the West of England of 0.1% from 2010. However, they are believed to be realistic targets: the UK average growth rate since 2010 has been 0.5%, and the UK long-run average between 1960-2007 was 2.2%. • The increases in these businesses’ productivity would increase the region’s overall productivity growth rate from 0.1% to 0.15%, generating a GVA uplift of £40m compounded over three years. 	<ul style="list-style-type: none"> • The impact on the economy of these businesses achieving this improvement has been estimated based on the relative size of the businesses covered by the programme. It has been assumed that all businesses currently operate at the regional average level of productivity. Based on employment size, the beneficiary businesses are estimated to generate approximately 4% of the region’s GVA.

<ul style="list-style-type: none"> Respond to the Climate Emergency by reducing climate impact and supporting local electricity generation 	<ul style="list-style-type: none"> WECA Investment Funding Match funding BEIS, UAs, Private SME participants New (and existing) staff Facilities for staff i.e. space, IT, etc. Marketing and communications Knowledge transfer Consultants 	<ul style="list-style-type: none"> Benchmarking and diagnostic tools Board development Technology adoption programme Public procurement support Improving Resource Efficiency Good employment standard Mentoring for Growth Productivity through People Collaboration Networks Enhanced Growth Hub Universal Business Support 	<ul style="list-style-type: none"> Businesses receiving meaningful interventions that have considered climate impact. Businesses reporting a reduction in carbon emissions Locally generated renewable electricity 	<ul style="list-style-type: none"> Reduction in CO2 emissions (production) from 5,230kt Increase in locally generated renewable electricity (& as a proportion of total regional electricity consumption) 477.7 GWh 	<ul style="list-style-type: none"> Cleaner environment Reduction in climate change rate
<ul style="list-style-type: none"> Inclusive growth 	<ul style="list-style-type: none"> WECA Investment Funding Match funding BEIS, UAs, Private SME participants New (and existing) staff Facilities for staff i.e. space, IT, etc. Marketing and communications Knowledge transfer Consultants 	<ul style="list-style-type: none"> Benchmarking and diagnostic tools Board Development Public procurement support Good Employment standard Equity Investment Activity Mentoring for Growth Productivity through People Collaboration Networks Enhanced Growth Hub Universal Business Support 	<ul style="list-style-type: none"> Businesses receiving meaningful interventions that have considered the productivity implications of inclusivity. Businesses directly addressing inclusive growth 	<ul style="list-style-type: none"> Residents unemployed or inactive and want a job reduced from 47,800 Workers earning less than Real Living Wage down from 17% Gender pay gap reduced from 17% for all workers and 9% of full-time workers Working people from ethnic minority backgrounds in management or professional roles increased from 38% 	<ul style="list-style-type: none"> More inclusive economy Diversity at Board level Recognised benefits of diversity in business
<ul style="list-style-type: none"> Business 	<ul style="list-style-type: none"> WECA Investment Funding Match funding BEIS, UAs, Private SME participants New (and existing) staff Facilities for staff i.e. space, IT, etc. Marketing and communications Knowledge transfer Consultants 	<ul style="list-style-type: none"> Benchmarking and diagnostic tools Board Development Technology Adoption programme Public procurement support Improving Resource Efficiency Good Employment standard Equity Investment Activity Mentoring for Growth Productivity through People Collaboration Networks Enhanced Growth Hub Universal Business Support Active export support (DIT) project IP Support for SMEs 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Business births as proportion of existing businesses up from 11% Business start-ups surviving five years up from 46% Trade in goods and services, as proportion of total output up from 28% of GVA Investment in Research and Development as proportion of output (GVA) up from 1.7% 	<ul style="list-style-type: none">

3. Evaluation design and methodologies

By positioning all the proposed interventions within this Programme under the Growth Hub brand and with a common management, monitoring and evaluation model, there will be tight and timely monitoring of the effectiveness and ongoing engagement with end-users to assure effectiveness. Through timely user engagement, adjustments in style and method of delivery will be adapted to suit market failure as far as is reasonably practicable within this framework.

There will be regular reporting within the agreed governance model, notably with the UA Economic Development Managers and the LEP Board, as representatives of the private and third sectors.

There are a number of 'Design' elements within this Programme which will involve engaging external domain experts to develop the subsequent, Extension, phase of intervention, and inform the communications and details of some interventions within this Programme. These experts will be procured such that they bring extensive domain and end-user knowledge and provide opportunities for ongoing engagement in delivery of the Programme.

The programme will incorporate an evaluation approach that enables ongoing assessment of the impact of the different interventions. This will include detailed questionnaires with businesses before and after intervention, to understand their financial position.

Tracking of beneficiaries will also be undertaken using business data tools such as Beauhurst. Data available from the Office of National Statistics and Government Departments (via the Inter Departmental Business Register) will also be used to derive macro-economic impacts

GVA impact will be calculated by applying standard WECA GVA formula.

Businesses engaging in a meaningful intervention will be asked to estimate and monitor job creation, turnover and cost of sales over a three-year period to enable granular recording of productivity gain.

Progress against initial targets including engagement and meaningful interventions will be recorded by each provider and monitored in the CRM (shared with the UAs).

4. Data requirements

4.1 For schemes fully or part-funded via the Local Growth Fund only

- *N/A - It is proposed that this scheme be funded by the WECA Investment Fund, not the Local Growth Fund.*

4.2 Data collection methods

Data at intervention level will be captured by the provider and fed into the CRM by the WECA core team or the representative Unitary Authority.

WECA is developing a data platform that will draw data from the existing CRM systems. A couple of CRM systems exist within the Business and Skills Directorate that utilise business data at their core. A project is underway to combine and update the IBB and Growth Hub databases that are both held on the Agile Chilli CRM platform.

Working with the WECA Economist, a suitable data collection process will be developed for each of the interventions. This might include eligibility criteria, and data capture required in order to enable effective evaluation. WECA, the UAs and providers can work with the recipient businesses to record and provide information required to a satisfactory standard. Data about the business will initially be captured at the commencement of an intervention and enhanced at the point that the intervention becomes meaningful. Data capture will then be on-going throughout the life of the project.

4.3 Data collection and establishing the baseline

- Refer to the scheme logic model to help structure the baseline data collection and reporting activities.

Metric (inc. Target)	Unit	Frequency	Data source (& Responsibility)	Baseline date	Reporting to?
Inputs					
Grant funding (WECA Investment Fund) - £3,196,000	£	Quarterly	Quarterly grant claims - Project/Finance Officer	FBC approval (July 2019)	Enterprise Advisory Panel; WECA
Outputs					
Interventions will be delivered to businesses across the West of England - 15,635	Number	Quarterly	Quarterly grant claims - Project/Finance Officer	Project Start (April 2020)	Enterprise Advisory Panel; WECA; Evaluation report (Yrs. 1-3 and final)
Medium Intensity interventions – 6,131	Number	Quarterly	Quarterly grant claims - Project/Finance Officer	Project Start (April 2020)	Enterprise Advisory Panel; WECA; Evaluation report (Yrs. 1-3 and final)
Outcomes and impacts					
For these 6,131 businesses, a target has been set for 80% to lift their productivity by 1% per year, and 20% to lift by 2% per year.	Percentage	Annually in arrears	Supported business' accounts and surveys	Project Start (April 2020)	Enterprise Advisory Panel; WECA; Evaluation report (Yrs. 1-3 and final)
The increases in these businesses' productivity would increase the region's overall productivity growth rate from 0.1% to 0.15%	Percentage	Annually in arrears	Supported business' accounts and surveys	Project Start (April 2020)	Enterprise Advisory Panel; WECA; Evaluation report (Yrs. 1-3 and final)

5. Delivery plan

Monitoring data will be collected from participating businesses when they initially engage in the programme. At the point the businesses take a meaningful intervention we will increase the intensity of data required. Follow up surveys will be issued in some circumstances. Funded Local Authority delivery partners will report on activity and outputs quarterly to accompany grant claims. WECA will also produce a quarterly report and reconcile internal expenditure quarterly with finance. Written and video case studies will be compiled throughout the project to evidence the impact of the project on individuals and participating businesses. The data, together with qualitative surveys, will inform an annual evaluation report, with a final report of full programme impact in April 2024.

6. Resourcing and Governance

Monitoring and maintaining the on-going data gathering and output monitoring will be the responsibility of the Growth Hub Manager and Project Support Officer. Robust and accurate data reporting at an intervention level will be an important requirement to ensure timely aggregate reporting. With support from WECA officers, an evaluation will focus on a review of programme and intervention successes, lessons learned, next steps and scalability options. Businesses participating in the programme will input into the evaluation, and the views of key project partners and stakeholders such as the UAs, will also be included.

Governance will be managed through the existing West of England Governance Structures. The ultimate owner will be the West of England Joint Committee with detailed oversight delegated to the West of England Regional Business Board, comprising elected economic development leads in each Council.

The Service will present its annual plan with key activities outlined to the Regional Business Board for approval. An Enterprise Advisory Panel will be evolved from the existing Growth Hub working group. The group will meet at least quarterly with a Chair invited from the LEP Board and strive to be representative of the constituencies we aim to support. It will report regularly to the LEP Board.

Ongoing partnership oversight will be provided through the regular Regional Economic Development Managers meetings run by the Head of Business & Skills. This forum will be used to provide regular, quarterly update reports on progress against targets and activity to each Council partner.

Day to day oversight will be delegated to the Head of Enterprise, Trade and Investment in the Business & Skills Directorate in WECA. Working closely with the Growth Hub core team the Head of Enterprise, Inward Investment and Trade will be responsible for reporting to the Enterprise Advisory Panel. Regular updates will also be provided as part of the usual WECA governance structure, including the Regional Business Boards (quarterly), SMT (quarterly), CEO's and Joint Committee (annual, but more regular if required).

A proportion of the staff and overhead allocation will be set aside for monitoring and evaluation.

The project will be delivered by the established dedicated Enterprise, Trade and Investment team alongside the UA Economic Development Managers. The Growth Hub team sits within this and will be expanded as per this business case.

A project plan and timeframe for data collection and reporting of monitoring and evaluation findings (i.e. when key activities will take place, including baseline work, interim and final findings) will be developed with A partners.

Continual feedback on performance in relation to partnership obligations and outcomes related to each UA and its priority activity will be gathered. Feedback and case studies will be developed throughout the programme to indicate performance and highlight trends or weaknesses in the programme and its interventions.

The Enterprise Advisory Panel will assess and approve quarterly reports to lead to annual reports to be assessed and approved by the Regional Business Board Annually. The Regional Business Board will also approve the annual forward plan to be developed by the service with input from the UA Economic Development Managers and the Enterprise Advisory Panel.

Risks will be continually monitored through the risk register and managed by the Service Lead with oversight by Head of Business & Skills. The risk register will be updated quarterly to be presented in the Quarterly Report and monitored by the Enterprise Advisory Board.

7. Dissemination

The evaluation will be used to review success, outputs achieved, lessons learned and scalability options for the Growth Hub, specifically informing the design and need (or not) of the follow-on interventions as outlined herein. Importantly, it will help influence the future direction and work of the key business support organisations.

The key audience for the evaluation will be WECA, LEP, business support organisations, the SME community and any other relevant stakeholders. Each of these will be sent a copy of the evaluation and it will also be presented to the Growth Hub Steering Board. Key findings and learning points from the evaluation can be put on the Growth Hub, WECA and LEP websites.

Appendices:

Appendix 1: Letter of Support from WECA Head of Business & Skills (attached)

Appendix 2: State Aid analysis (attached)

Appendix 3: Scheme objectives and procurement detail (attached)

Appendix 4: Scheme breakdown with costs and risk register (attached)