

INTRODUCTION

This Policy Paper provides several parameters for implementing enhanced eligibility conditions for accessing funding and finance for South Yorkshire Mayoral Combined Authority (SYMCA). Further detail on how it is implemented and delivered will be explored in implementation. This note sets out the conditions, guiding principles, the context, an exploration into how this could be implemented and some next steps.

BACKGROUND

The SYMCA have worked with a range of stakeholders including the Inclusive Growth Network, academics at the University of Sheffield and in consultation with the private, voluntary and public sector to develop this Policy Paper. The work has articulated the eligibility conditions for accessing funding and finance from the SYMCA. These eligibility conditions will shape how the SYMCA works with organisations seeking funding and finance (e.g. investments, loans, grants or other assistance).

The intention is for the conditions to be sought from businesses and organisations if they are to access the funding and finance at the SYMCA. The intention is for this to *add value* to the existing defraying of funding and finance, making sure the investments from SYMCA go further, addressing challenges in low pay, inequality, in work poverty, productivity, skills, stable employment, health, diversity and the climate emergency. This brings benefits to businesses through improved productivity, reputation, staff motivation and progression. It will also ensure that investees are aligned to the organisational ethos of SYMCA and partners as well as directly establishing a relationship around unlocking social value.

Enhanced eligibility conditions for funding and finance is an innovative approach. Innovative approaches can yield challenges. The approach set out in this policy paper borrows elements from procurement reform and community wealth building, enhanced appraisal and monitoring of projects and programmes and learning from the implementation of employer charters across the UK.

STRATEGIC CONTEXT

The Strategic Economic Plan (SEP 2021) made a commitment to “make every penny count. We will invest where we see social value” and to “leverage public spending for greater social value”. More explicitly the SEP said that “when making investments, we (SYMCA) will establish an upfront social contract based on our terms of business”.

South Yorkshire has an opportunity to use its funding and finance to deliver greater social value, creating sustainable, long-term value for residents, the economy and environment. When organisations are awarded funding and finance the eligibility conditions will support the delivery of the Mayoral Combined Authority’s mission to grow an economy that works for everyone.

EVIDENTIAL CONTEXT

South Yorkshire is home to world class businesses and sectors that are at the cutting edge of the modern economy. Many organisations in the private and public sector invest, innovate, provide high-skill, high-quality employment opportunities. However, there are structural challenges within the economy which need to be addressed. The eligibility conditions are not a quick fix or a silver bullet, they are part of a set of mechanisms that will unlock wider social value through SYMCA’s activities. The conditions are designed to make positive change across the following areas:

- **Pay and in work poverty** – South Yorkshire has been described as Britain's low pay capital. In 2022, it is an unfortunate fact that having a job no longer assures a route out of poverty. A growing proportion of jobs in the local economy are in sectors associated with higher levels of in-work poverty and those in low pay jobs can be trapped in insecure jobs that offer no prospects for progression. With prices increases on the way for energy and basic goods, workers need pay

that is enough to meet basic needs and to provide some discretionary income. Low pay and financial insecurity increase in-work poverty and reduce spending in local communities. Research by the Living Wage Foundation shows that 75% of businesses say paying the Real Living Wage has increased employee motivation and retention rates¹.

- **Stable Employment** – Insecure employment can prevent people fulfilling their potential, getting a home and providing a secure start for their children. Insecure contracts and unpredictable work schedules can contribute to anxiety and financial insecurity. There is significant evidence which shows that workers in fixed-term or casual employment are more likely to drop out of the labour market.
- **Community wealth building** – South Yorkshire has a large SME base (99.6% of businesses) and strong VCSE sector. Supporting local businesses and VCSE organisations by buying goods, services and works locally has benefits for creating strong, resilient local supply chains. This can attract investors and has the potential to create new opportunities. It also creates a vibrant local economy where local people are employed and are able to spend money locally. The city region also has strong and resilient communities, but many face significant disadvantage with over one in five neighbourhoods in each borough amongst the 10% most deprived in the country. Engaging with and empowering communities can result in improvements to local areas and pride of place.
- **Productivity** – South Yorkshire is one of the lowest productive city regions and lags further behind compared to our international competitors. Employees who feel like a valued member of a team, find their work rewarding and exciting are more likely to feel a sense of loyalty to the business, resulting in increased productivity.
- **Diversity** – A diverse workforce that reflects the diverse range of customers, service users and the community in which they are based are more creative and more innovative. Having a wide range of skills and experience that reflects all of society, including those with disabilities, from varying ethnic backgrounds or offers a balanced gender representation means that businesses are more likely to design products and services for a broader base.
- **Climate Emergency** – South Yorkshire Mayoral Combined Authority has formally declared a climate emergency. Addressing the climate emergency requires urgent collaborative action to tackle emissions. Businesses are a key element of leading the way in the global transition to net zero emissions.
- **Health** – The Covid-19 pandemic has shone a spotlight on poor health outcomes and inequalities. Research by the Northern Health Science Alliance shows that people in the North are more likely to leave work due to sickness than those in the South, with ill health accounting for over 30% of the productivity gap between the North and the rest of England². Employers have a key part to play in improving health outcomes across South Yorkshire. A healthy workforce is a productive and happier one. It leads to more opportunities, fewer absences, and higher morale.

The eligibility conditions will not address all aspects of the challenges above but are designed to encourage good employer behaviour and bring benefits to businesses through improved productivity and profitability, reputation, staff engagement, motivation and retention.

CONDITIONS

The following conditions have been identified following consultation with partners:

- Pay Real Living Wage to full and part time employees, for regularly contracted hours and overtime
- Secure work for employees, with zero hours contracts only for those who want them
- Spend more with local suppliers in South Yorkshire, particularly with SMEs and the VCSE sector
- Empower employees to be informed about the business and involved in decision-making
- Enhance workforce diversity
- Offer more pathways into employment through work experience, placements, internships & apprenticeships

¹ <https://www.livingwage.org.uk/good-for-business>

² Bambra, Munford, Brown et al (2018) Health for Wealth: Building a Healthier Northern Powerhouse for UK Productivity, Northern Health Science Alliance, Newcastle.

- Support staff progression through training and development
- Engage with local communities
- Reduce carbon emissions
- Create a healthy workplace

GUIDING PRINCIPLES

Based on the engagement with stakeholders to date, there are five principles which will guide the approach to implementation:

- **Proportionate** – to the size of grant/loan, sector and type of funding.
- **Flexible** – accounting for different organisations.
- **Balanced** – robust with monitoring, but not a burden to businesses and organisations.
- **Accessible** – a simple process with clear language and communications.
- **Connected** – linked to other support and Mayoral Combined Authority and Council initiatives.

HOW THE CONDITIONS WILL WORK

The process for businesses and organisations to access funding and finance differs depending on the funding stream. The conditions will be utilised where the funding and contractual process is fully owned by SYMCA. The conditions will shape funding and finance applications and will link into SYMCA's assurance process and framework whereby all organisations seeking funding undergo a proportionate process and appraisal to assess the merits of the application, its strategic fit and value for money.

A key element around the implementation is flexibility in applying the conditions to businesses. Flexibility is needed due to different business models. The conditions and the scoring system below are not about a hard 'Yes' or 'No' but should also award progress and explore challenges to meeting the conditions. Flexibility does not mean standards should erode or loopholes used. As this is a new area, practical implementation will require testing how flexibility operates in practice, engaging and communicating with businesses throughout.

As SYMCA monitors the conditions, how resource clawback could be operationalised will be explored. If an organisation does not meet their eligibility conditions or is flagrantly undermining the ethos of the conditions then this should be met with proportionate procedures.

All organisations need to be treated the same and many will only need to sign up once. In working with Local Authority partners, the conditions will be applied to others and organisations will need to reflect this in their existing contracting systems.

SCORING SYSTEM

A transparent scoring system will be used to help guide understand how organisations match up with the eligibility conditions. The scoring system highlights a series of minimum level of commitments which if met can unlock access to funding and finance at the MCA. The scoring is applied proportionately to:

- The size of business and organisation.
- The size of the funding & finance sought.

Each commitment is scored to help understand whether an organisation is:

- Meeting the commitment will be given a score of 2
- Intent towards meeting the commitment will be given a score of 1
- Do not signal their intent towards meeting the commitment will be given a score of 0

The minimum "scoring" required for the conditions is captured in this table below:

	Size of business/organisation (no. of employees)				
	Micro	Small	Medium (I)	Medium (II)	Large

		< 9	10-49	50-100	101-249	> 250
Size of grant or loan	< £50k	5	5	7	7	20
	£50k – £100k	7	7	10	10	20
	£100k – £500k	10	10	12	12	20
	£500k – £1m	12	12	15	15	20
	> £1m	15	15	18	20	20

The scores will be summed, and each business/organisation will be given a total score. If an organisation is not meeting the minimum level of commitments then the appraising team will discuss options to explore what could help address this, provide support and signpost to services.

WORKED EXAMPLE

The thresholds in the table above are indicative and require testing. These include five categories for the size of business (micro, small, medium (50-100 and 101-249) and large) and five categories for the size of grant or loan (< £50k, £50-100k, £100-500k, £500k-1m and > £1m). The maximum score is 20 (based on scoring 2 on 10 commitments). This would be the minimum level of eligibility conditions given to a large business with over 250 employees on a grant/loan of over £1m. The minimum score will be 5. This would be the minimum score given to a micro business with less than 9 employees seeking funding or finance less than £50k.

Example scenario

A South Yorkshire sandwich business employing 25 people is seeking to invest in hydrogen powered cars. They apply for a grant of £200k to expand their fleet. Their target score is 10. They currently achieve a score of 8. In their bid development, they work with the MCA to highlight that they would like to work towards two further eligibility conditions in the next year. Timescales are discussed and monitoring is agreed, and the sandwich business submit their bid for funding and receive a score of 12. They are successful in obtaining funding and can meet their growth aspirations. They also receive several benefits of the funding as well as meeting the conditions, finding that staff retention is better and that new clients like their net zero aspirations.

SUPPORT AVAILABLE

It is suggested that organisations seeking to access funding and finance should be provided with the necessary support and signposting to enable them to navigate the application process. The scale and extent of this will need to be explored. For example, if an organisation needs to address their policies and activities around staff training and progression, signposting to Skills Bank could be offered.

NEXT STEPS

It is proposed that the eligibility conditions are piloted through implementation in the next financial year (e.g. 2022/23), this would allow some of the queries to be resolved. There is potential overlap with an employer charter. The eligibility conditions could form the basis of one and the supporting mechanisms, scoring or resources could be shared with the goals of a charter.