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Report to: LEP Board

Date: 19 July 2017

Subject: Business Innovation and Growth Panel Update

1. Purpose

1.1 To provide the LEP Board with an update on the work of the BIG Panel.

2. International Trade

Trade Performance and Outlook

- 2.1 In the year to March 2017, the UK Export value went up 11% on last year. All English regions saw an increase. Yorkshire and the Humber saw an increase in the value of exports of 7.6%.
- 2.2 The total number of UK businesses exporting increased by 6.6%, between Q1 (quarter 1) 2016 and Q1 2017. During the same period, Yorkshire & the Humber saw an increase of 5.6%, with around 7,404 exporters in the region.
- 2.3 The British Chambers of Commerce (BCC) Quarterly Economic Survey for Q1 2017 reports that 26% of manufacturers and 10% of service businesses reported improved export sales in quarter 1 2017, up from 16% and 8% respectively in Q4 2016.
- 2.4 The positive message is reiterated in the EEF/BDO Manufacturing Outlook 2017 Q2, which finds that exports continue to be boosted by healthy global demand, especially from markets in Asia, North America and Europe, and weak Sterling.
- 2.5 The survey shows that mechanical and electrical equipment and electronics are reporting a growing strength in export sales. Food and drink sales overseas however appear to be dropping, perhaps in response to consumers feeling the effect of rising inflation in other advanced economies.

Trade Delivery Partners Update - Department for International Trade

- 2.6 Following the General Election, it has now been confirmed that The Rt Hon Dr Liam Fox MP remains as Secretary of State for International Trade and President of the Board of Trade. Also continuing are The Rt Hon Greg Hands MP as Minister of State for Trade and Investment, Lord Price CVO as Minister of State for Trade Policy and Mark Garnier MP as Parliamentary Under Secretary of State.

- 2.7 DIT (Department for International Trade) have appointed Crawford Falconer as the Chief Trade Negotiation Adviser and Second Permanent Secretary. This position is in addition to the existing Permanent Secretary Antonia Romeo.
- 2.8 The draft list of Northern Powerhouse trade missions is now being finalised and will be formed from the following long list:

Ireland	UAE (Gulfood)
Denmark	UAE (Arab Health)
Netherlands	USA (Boston, Technology)
China (Food & Hotel)	USA (San Francisco, Technology)
USA (Female Founders)	Singapore & Malaysia (Advanced Manufacturing)
Germany (Medica)	China

- 2.9 Some of these missions will be managed by DIT in the region and will present opportunities for joint working to promote and maximise the benefits to businesses in the city region.
- 2.10 Other forthcoming activities include the UK tour of the Heads of Post from the Gulf States in September, Export Strategy workshops and sector specific workshops and activities to help businesses overcome the reported barriers to export.

Exporting for Growth (EfG)

- 2.11 The take up of the European funded EfG export grant programme in the city region currently stands at 50 Grant offer letters issued with a total value of grant offer letters being £173,150.
- 2.12 In May, we opened a second round of activity with Kaola.com to introduce suppliers of consumer goods to them for the Chinese online market <http://www.the-lep.com/for-business/international-trade/e-commerce-opportunity-in-china/>.
- 2.13 The China Britain Business Council has written a blog for us to accompany the launch and have agreed that we can share their ecommerce guide with businesses who apply.
- 2.14 We are publicising through the LEP website and social media channels as well as through the Growth Managers and Skills Service Advisers. In addition, we are working with a range of partners to spread the word including the members of the trade working group (DIT, Chambers, Enterprise Europe Network, Yorkshire Universities, Yorkshire Asian Business Association & private sector) as well as through other contacts such as Manufacturing Yorkshire. Some businesses we are contacting direct where we think this opportunity may be of interest because their products are a particular target of Kaola.com.

- 2.15 The final draft of the trade analysis we commissioned to look at trade in the Leeds City Region has been completed by MDS Transmodal. This provides us with a valuable insight into the trade picture in the region rather than having to rely on the Yorkshire & the Humber view that is generally available.
- 2.16 Alongside an analysis of the current volume and value of the trade in goods, it will also give us insight into key export sectors, existing export markets and potential in other markets. This will be used to help inform where we focus our resources to explore those untapped opportunities further.
- 2.17 The International Trade Working Group members have identified some priority initiatives within the four pillars of the plan (simplify, connect, inspire, target). Some activities will improve the tools and methods we use to communicate messages to businesses such as improvements to the website, a trade app and a regional calendar of events for example.
- 2.18 We are working with the trade group to identify key priorities we can work on collaboratively. This will focus on a small number of key markets and/or sectors relevant to the city region. The aim is to identify and target key opportunities from which we can create a greater impact in terms of benefits to businesses locally.

Inward Investment

Inward Investment Performance and Outputs

- 2.19 New performance targets for 17/18 are indicated in the table below. There have already been two new significant inward investment project successes in this financial year.
- **Project Beagle (Apr)** – Major project expansion for a biologics drug development company. Confirmed creation of a new site in the region creating 400 jobs.
 - **Project Primrose (May)** – A major UK business operations company establishing a new global shared service centre in Leeds due to become fully operational in October. Creating 500 jobs.

Successes 17/18	Apr/May	Jul/Sep	Oct/Dec	Jan/Mar	Target	Total 16/17
Number of Projects	2				20	2
Number of Jobs	900				1000	900
Supplementary indicators	Q1 Apr/Jun	Q2 Jul/Sep	Q3 Oct/Dec	Q4 Jan	Target	Year to Date
New enquiries	8				60	
Propositions issued in response to enquiries	3				48	
Inward Investor meetings	27				48	

2.20 In addition there is one success which is still pending but close to being classed as confirmed.

- **Project Thomson** – A significant European retailer considering UK locations, which has now selected Leeds. A meeting will be held in June to understand the support around their media launch and job numbers to be established

Overview of the investment pipeline

2.21 There are 72 live projects/enquiries on the investment pipeline, representing a potential 6,165 jobs plus 750 safeguarded jobs. The enquiries are split between the following sectors:

Live projects, investment pipeline (See Appendix A for pie chart reference)				
Sector	Projects	% of total	Jobs (potential)	% of total
Manufacturing	30	42%	1,803	29%
Healthcare and Life Sciences	9	12.5%	787	13%
Financial, Professional and Business Services	9	12.5%	1,505	24%
Digital	14	19%	985	16%
Other	10	14%	1,085	18%
Total	72	100 %	6,165	100%

2.22 There are currently 22 Category A (within sector and over 50 jobs) projects on the pipeline, which represent an overall opportunity for a potential of 4,481 jobs.

Recent developments

2.23 The pilot Key Account Management (KAM) project undertaken in February/March resulted in 19 meetings with existing investors including 16 from the Advanced Manufacturing sector with 9 potential projects identified.

2.24 The EY UK Attractiveness survey was published in May and was very positive for the region. It reported that Yorkshire and Humber recorded more Foreign Direct Investment (FDI) in 2016 than any year since 1997 with 98 projects and overtook the North West in terms of FDI attraction.

2.25 Under Growth Deal 3 (GD3) the West Yorkshire Combined Authority (WYCA) was allocated £13.45m of funding to run business grants programmes to grow the region’s economy. £12.45m of this funding has been assigned to a Strategic Inward Investment Fund designed to support inward investment projects locating in the Leeds City Region. WYCA sought external advice on the design of this scheme and the fund has progressed through the WYCA assurance process. This scheme will be operational from August 2017.

This fund aims to attract new businesses to the region and secure expansions from existing large businesses. Therefore, projects creating new jobs in Leeds City Region will be given highest priority. A specific focus will be on foreign owned businesses because this represents entirely new economic activity at a national level, with a lower degree of associated displacement. Also, due to the current macroeconomic climate (i.e., the EU Referendum result), it is evident that we are now operating in an increasingly competitive market place for attracting investment from foreign owned businesses. UK businesses with internationally mobile projects can also access the scheme where these investments create over 150 new jobs.

Although job safeguarding projects are not the priority objective for this fund, it is proposed there is flexibility in the fund to be deployed for safeguarding where the need is sufficiently important at the city region scale (e.g. safeguarding c.500 jobs or more). (See Appendix 1 for full criteria)

- 2.26 The remaining £1m from the GD3 allocation will be used to support small interventions attracting inward investor businesses in the digital and technology sector. This scheme (Digital Sector Soft Landing Scheme) is currently being designed and will be operational from the end of the summer.
- 2.27 The Digital and Technology Industries research report has been finalised by KADA and the findings will inform our future digital sub sector propositions and marketing collateral.
- 2.28 We are undertaking numerous business development initiatives across the UK and overseas to attract enquiries. There is a sustained plan of business development activity that will be executed this financial year.

Innovation

Relationship with Innovate UK

- 2.29 The Partnership Agreement between WYCA/The LEP and Innovate UK setting out the principles and practical arrangements for closer collaboration between the organisations was signed at an official event on 28th June. The Partnership Agreement will ensure the two organisations work better together to enable LCR SMEs to access Innovate UK support and funding.
- 2.30 The signing, with Kevin Baughan, Deputy CEX of Innovate UK took place alongside a roundtable Panel session, where invited attendees debated alongside Innovate UK 'how we can ensure the Leeds City Region fulfils its potential as a competitive force driving the UK's innovation and business growth, particularly as the country exits the EU.' A further update will be provided at the meeting.

Leeds City Region Science and Innovation Audit

- 2.31 The draft Science and Innovation Audit has now been submitted to BEIS, with feedback expected shortly with a view to finalising the report before the end of June. Emerging propositions include:
- Clinical evaluation: a national ‘test bed’ clinical evaluation hub and network for medtech devices.
 - Enhanced high level skills: a med tech skills academy
 - Joined up connected and continuous innovation support: an integrated med tech innovation hub linked with med tech nodes across the UK (linking with the emerging work by Leeds City Council and Leeds Teaching Hospital around a Leeds Innovation District).
 - Sustainable infrastructure: grow on and scale up space, support for businesses to start and grow, coupled with continued infrastructure investment in national centres of research excellence.
 - Strategic leadership, providing vision, direction and common purpose: strategic leadership for med tech innovation.
- 2.32 Once the Audit has been finalised, the team will be holding further discussions with key stakeholder groups and partners across the UK: LEP, local authorities, BEIS, the Office for Life Sciences, industry, universities, and the NHS to develop each of the five propositions into business development and investment plans.
- 2.33 At their last meeting, BIG Panel discussed these exiting opportunities which are emerging to position Leeds City Region at the heart of medtech capability across the UK and beyond.
- 2.34 No funding or resources were provided as part of the development of the audit, and no funding is attached to the completion of the audit. It is however anticipated that the identification of key research and innovation strengths will support any decision making around place based funds.

Innovation support programmes

- 2.35 Pre delivery activities are now underway for the £9.2m Access Innovation programme. Led by WYCA and funded by ESIF, Access Innovation will support SMEs to develop new products and processes, and to develop long term productive working relationships with R&D specialist organisations. This programme will encourage SMEs who have not typically engaged with Universities to work together.
- 2.36 The programme went live in mid-June with the soft launch event taking place on 28th June. The event, hosted by Borg Warner and running alongside Partnership Agreement signing and Panel session, will allow SMEs to find out more about the new programme whilst hearing from Borg Warner about their experiences.

- 2.37 The three Innovation Growth Advisors are now developing a more in depth knowledge of expertise available in Leeds City Region research institutions, and working with them to develop a workshop programme for SMEs focussed on current 'hot topics' related to innovation.

Digital

Digital Delivery Plan

- 2.38 Work is continuing on the development of a Digital Plan for the Leeds City Region. To inform this, and to support wider inward investment activity, research has been commissioned to assess the comparative, relative and emerging competitive advantages of the Leeds City Region digital and technology sector.

Digital summit

- 2.39 To help define a clear vision and set the overall ambition, a Digital Summit will be held in autumn 2017 to bring together key stakeholders across the City Region. This event will also be used to showcase the range of 'world class' digital assets and infrastructure in the city region, the strength and diversity of the digital sector, and the importance of digital inclusion.
- 2.40 The Mayor of Greater Manchester recently announced the same ambition to hold a Digital Summit this year. Discussions are ongoing with colleagues in Greater Manchester and Tech North to ensure that where possible, messages and branding is joined up and complementary.

Digital Enterprise Programme

- 2.41 The Digital Enterprise programme was formally launched in early February 2017. Led by Leeds City Council on behalf of a number of local authority partners including WYCA, the LEP has invested £750k of match funding. The programme helps businesses to invest in digital technologies through both a voucher scheme and workshops and masterclasses on specific topics.
- 2.42 The programme has received a huge number of applications from SMEs for funding to support investment in ICT/digital related projects facilitating growth, inclusion and business development, with 473 applications received, against a target of 150. The level of demand has resulted in a temporary suspension of the scheme (at the end of March) to help manage the backlog.
- 2.43 The second phase of the scheme is currently being planned and will be launched in the summer of 2017, along with the new Digital Knowledge Exchange service – which offers SME owners/managers the opportunity to attend workshops/masterclasses, undertake a digital audit or receive mentoring support to help them acquire a greater level of knowledge and confidence to use or commission digital technology solutions to grow their business.

Business Support

LEP Capital Grants Programme

2.44 The programme supports capital investments being made by businesses across the city region that are expanding and creating new jobs. It is currently funded via £33.7m from the Local Growth Fund (LGF) up to March 2021.

2.45 The table below presents progress to date:

Target Measure	6-Year Target (April 15 to March 21)	Achieved (as of June 17)
Expenditure	£33.7m	£25.6m (committed) £17.14m (actual)
New Jobs Created	4,100	4,604 new (committed) 1,760 safeguarded (committed) 1,282 new (actual) 1,583 safeguarded (actual)
Businesses Supported	765	460 (committed) 357 (actual)
Public/ Private Sector Leverage	£168.5m	£246m (committed) £133.3m (actual)
Total Cost Per Job Created	No contractual target	£5,560 (committed) £13,370 (actual)

2.46 As the above table highlights, the programme is performing well terms of how much it costs for each new job to be created cost per job, with current figure of £13,370 being significantly below the national average for programmes of this nature.

2.47 The June 2017 Investment Panel recommended the approval of two grants totalling £236,500. The first is for £110,000 for a food manufacturing business that is making a £1.1 million investment in a new production facility, which will create 30 new jobs. The second is for £126,500 for an internet-wholesaler that is investing £1.27m in a new distribution, repair/service and assembly facility, resulting in the creation of 104 new jobs.

2.48 Future funding agreements for grants of over £100K will include options for how the grant-recipients can contribute to the Inclusive Growth strategy. For example, local supply chain opportunities, links to the enterprise in schools agenda and supporting higher-level apprenticeships.

LEP Business Floods Recovery Fund

2.49 The above fund has now closed to new applications and has approved funding of £3.18m to support capital investments by 66 businesses, predominantly in Calderdale and Leeds, badly affected by the floods in late 2015. The grants will attract a further £10m of investment from the businesses receiving them. To date, £1.85m has been paid to the businesses and has this helped them get back to somewhere close to how

they were operating before the floods. The grants will help to safeguard over 1500 jobs in the city region.

LEP Growth Service

- 2.50 The service provides businesses across the city region with access to products and services that can help them to grow. This includes those directly delivered by the LEP and those available by other organisations, such as Department for International Trade, Innovate UK, Local Authorities, Chambers of Commerce and Universities.
- 2.51 Since its launch in July 2015, the service has supported over 3,600 businesses, over 1,200 of which have been given more intensive support from a team of district-based SME Growth Managers. The most popular topics for support amongst businesses remain access to finance, training staff and recruiting staff. Manufacturing remains the most popular sector for businesses, followed by Creative & Digital and Financial & Professional Services.
- 2.52 Early figures for 2017/18 show a continued growth in interest and engagement levels from SMEs in the city region, with May 2017 receiving 59% more enquiries (phone calls and emails) than the corresponding month in 2016, and the first two months of 2017/18 receiving 26% more enquiries than the April to June period of 2016/17.
- 2.53 Three business 'Pop-Up' cafés will take place in July 2017 at Hebden Bridge, Castleford and Steeton as a way to better engage with businesses in the more outlying parts of the city region. These free events allow smaller firms to meet professional experts on a range of key business issues and opportunities all under one roof. The experts, who provide their expertise for free, cover topics such as finance, sales and marketing, social media and exporting. Attendees also have direct access to the LEP's business support products, alongside those of other partners.
- 2.54 The service is funded directly from Central Government at circa £500K per year, but this only runs to the end of March 2018, with no current commitment beyond that time. Therefore, the LEP/CA is now working closely with other LEPs across the North, and with the Government, to attract additional funding.
- 2.55 **Appendix 1** provides more detailed information and analysis on enquiries to the Growth Service in 2016/17 and to date in 2017/18.

New Business Support Programmes

- 2.56 The £2.66m Resource Efficiency Fund (REF) is being delivered through the LEP Growth Service over the next three years. It is jointly-funded by the Government's Local Growth Fund (LGF) and the European Regional Development Fund (ERDF), and provides advice and funding to SMEs to identify and put in place improvements on how they use water, waste and energy. Please see the Green Economy update report for further detail on the delivery of REF to date.

- 2.57 Led by the LEP/WYCA, the new £7.2m Strategic Business Growth project began in June 2017 with funding from Europe and the UK Government. The project team is now in place, and a delivery contract has been awarded to Winning Pitch following a recent open procurement exercise.
- 2.58 Winning Pitch will provide a group of circa 300 small businesses with tailored advice and guidance on how to grow. The support will consist of expert one-to-one coaching, one-to-many workshops on current 'hot topics' for business growth and peer-to-peer mentoring to provide ongoing benefits beyond the lifetime of the contract. Another key element of the project will be Winning Pitch closely monitoring and reporting the impact of their support on the SMEs over the lifetime of the contract. This will include a range of indicators related to productivity, rather than just focussing on employment creation.
- 2.59 The £400m Northern Powerhouse Investment Fund (NPIF) is now in full operation across the city region, and has had a healthy number of enquiries and applications since the regional launch in March 2017. The fund provides micro, debt and equity finance to growing SMEs, and latest figures from the British Business Bank indicate that over £800K of advances have been made to city region businesses across the three sub-funds. The LEP Growth Service and SME Growth Managers continue to make numerous referrals to NPIF where the businesses concerned are looking for debt and/or equity finance. Similarly, NPIF is referring clients to the LEP, particularly for the capital grants and the Skills Service.

Inclusive Growth

- 2.60 The team is exploring how both current and future programmes can be better aligned to meet inclusive growth priorities and proposals for this will be presented at a future meeting. More detail on current government thinking around this can be found at agenda item 13.

3. Recommendations

- 3.1 The LEP Board is asked to note the contents of the panel update.