



Report to:	Economic Scrutiny Committee
Date:	8 March 2024
Subject:	Approach to Business Investment
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1. Purpose of this report

- 1.1 To provide an update on the Combined Authority's approach to business investment, including opportunities relating to the West Yorkshire Healthtech and Digital Tech Investment Zone (WY IZ), Climb 24 and the Create Growth programme.
- 1.2 The committee is asked to note the content of this report and the proposed direction of travel in relation to business investment.

2. Information

Background

- 2.1 The West Yorkshire Plan sets out the Combined Authority's ambition to create a prosperous West Yorkshire with an inclusive economy and well-paid jobs. The Combined Authority is now developing an Economic Strategy, to deliver the vision and missions of the West Yorkshire Plan. This regional strategy is being developed in partnership with the five West Yorkshire local authorities.
- 2.2 The Economic Strategy will place a sustainable inclusive economy at its heart, to ensure that everyone is able to benefit from the region's strengths.
- 2.3 Unlocking investment opportunities for businesses is one of the emerging themes from the consultation and research that has been undertaken, and the Committee will be updated further as this work progresses.
- 2.4 In relation to business investment specifically, in February 2021, the Combined Authority commissioned Deloitte to undertake research on the barriers to accessing investment for businesses in West Yorkshire.

- 2.5 The report found that there was little finance available for pre-revenue enterprises; an under-developed venture capital market with a low number of investors based in the region; un-met demand for finance from high street lenders; sector gaps, particularly in industries that are rich in intellectual property (IP), but with few traditional assets; and an education gap with some businesses that are not investor ready.
- 2.6 In response to the report, the Combined Authority created a £20 million fund for small and medium sized enterprises (SMEs) in West Yorkshire, which is being delivered by Foresight Group. The fund was launched in November 2022 and has made two investments to date. There is a strong pipeline of projects, with further drawdowns expected in the coming months.
- 2.7 The Combined Authority has also invested £1.5 million into Northern Gritstone, an investment vehicle founded in 2020 by the Universities of Leeds, Manchester and Sheffield, which supports the commercialisation of IP-rich and innovation driven businesses across the North of England.
- 2.8 The Combined Authority is now exploring the current gap in the business investment landscape to support inclusive growth in the region, and to build a broader portfolio of measures to support businesses, rather than the historic focus on business grants. This could include co-investment opportunities with other providers. Further research will be commissioned to understand the current provision for debt and equity finance across the region, where there are gaps in provision, and barriers preventing SME businesses from accessing investment.
- 2.9 A key focus of this work will be to understand how this translates to the Combined Authority's ambition for a prosperous West Yorkshire, with an inclusive economy and well-paid jobs and the emerging priorities of the Economic Strategy. This includes exploring whether some business founders are disproportionately impacted (for example female and ethnic minority founders) and the role of the Combined Authority in tackling these challenges.
- 2.10 Of equity investments in the UK, only 2p in every £1 goes to all-female teams, compared to 85p to all-male teams (Beauhurst, 2022). And yet, businesses with gender diverse teams are 25% more likely to outperform their peers (McKinsey & Company, 2020). It is estimated that £250 billion could be added to the UK economy if women started and scaled businesses at the same rate as men (Rose Review, 2019), and that £100 billion could be added to the UK economy if ethnic minority entrepreneurs were given adequate support to start and scale their businesses (Time to Change Report, 2022).
- 2.11 Responding to the challenges and opportunities outlined in 2.10 will be a key part of the commissioned research, including reviewing whether there is a need for gender or diversity specific funds in the region.

West Yorkshire Healthtech and Digital Tech Investment Zone

- 2.12 The West Yorkshire Investment Zone provides a unique opportunity to explore the provision of finance across a defined cluster to complement a range of other interventions.
- 2.13 Work is underway with partners, particularly local authorities and universities, to develop a set of capital and revenue interventions that will propel the region's ambition to scale and support longer-term innovation plans, aiding delivery on high impact innovation-led transformational projects. More detail is available here - [Item 9 - Investment Zones.pdf \(moderngov.co.uk\)](#).
- 2.14 Some of the investment will primarily support healthtech businesses with high growth potential to access pre-seed equity. This intervention will focus on providing early-stage capital to startups and entrepreneurs in the region. More work is underway to develop this further.

Climb 24

- 2.15 Climb is an innovation festival for investors, start-up's, scale-ups and industry. It is the first of its kind in the UK, and its inaugural event, Climb 23, took place in May 2023 at Leeds Dock. Over 150 active investors attended the event, as well as over 2,000 delegates.
- 2.16 [Climb 24](#) will again be at Leeds Dock on 5-6 June. This presents a huge opportunity for the region. The Combined Authority is working closely with Investor Ladder, organisers of Climb, to maximise the opportunities for businesses in West Yorkshire. It is a unique opportunity for regional businesses to connect with national and international investors.
- 2.17 The event will feature keynote speakers, panel discussions and round-table events. Equity, Diversity and Inclusion (EDI) is a cross-cutting theme across the event.

Create Growth

- 2.18 The Department for Culture, Media and Sport (DCMS) launched the Create Growth programme in 2022, in partnership with Innovate UK. This is a programme designed to support the development of creative industries businesses with high-growth potential. The Combined Authority was successful in securing funding from DCMS to deliver the programme in West Yorkshire. Working closely with Innovate UK, investor networks will be built to grow a stronger creative industries sector ecosystem and pipeline for further investments.



- 2.19 A bespoke package of business support in the form of an investment readiness accelerator, will be delivered by Creative UK, running from April 2024 to March 2024. Support will include:
- Identifying commercial capacity
 - Developing a business model
 - Sector-specific workshops
 - EDI and building a diverse workforce
 - Refining the investment proposition
 - Deck development
 - Engagement with investors (e.g. networking events / engaging with investor networks, in collaboration with Innovate UK)
 - One-to-one mentoring by investors
 - Pitch events (in collaboration with Innovate UK)

2.20 The programme will prioritise the following subsectors:

- Convergent Screen Technologies
- TV and Film
- Gaming
- Music
- Fashion/Textiles

Other opportunities

2.21 It is anticipated that business investment, and stimulating both the supply and demand of appropriate finance in the region will be a significant priority emerging out of the Economic Strategy. Exploring a range of opportunities for the Combined Authority, whilst working across the ecosystem to address these challenges, will continue to be important in developing a thriving West Yorkshire where businesses are able to start up, scale up and invest.

3. Tackling the Climate Emergency Implications

3.1. There are no climate emergency implications arising from this report, but it should be noted that green finance and sustainability are key themes at Climb 24.

4. Inclusive Growth Implications

- 4.1. Creating an inclusive economy is a core principle of the economic strategy, where everyone is able to benefit from economic growth in the region.
- 4.2. The commissioned research on the business investment landscape will play an important role in determining how the Combined Authority can support the investment ecosystem to deliver inclusive growth outcomes, including creating well-paid jobs.
- 4.3. There is a significant geographic gap in venture capital investment, with over 50% of deals going to businesses in London, compared to less than 3% in West Yorkshire (Beauhurst). Climb 24 is specifically seeking to redress this gap, by bringing national and international investors to West Yorkshire.

5. Equality and Diversity Implications

- 5.1. As outlined in 2.9-2.11, the commissioned research will specifically look at the additional barriers in accessing finance faced by people with protected characteristics and the role that the Combined Authority can play in helping to overcome these, including whether there is a need for a regional fund specifically for funders who are under-represented in accessing finance.
- 5.2. Equity, diversity and inclusion is also a key theme at Climb 24, with [Include Me](#) leading a number of events and round table discussions.
- 5.3. Stretching diversity targets have also been built into the delivery of the Create Growth programme, to ensure female and ethnic minority entrepreneurs, and entrepreneurs with disabilities, are prioritised in accessing support through the programme.

6. Financial Implications

- 6.1. At this point, there are no financial implications arising from this report. However, any proposals relating to the WY IZ will consider value for money, long term savings, strategic objectives and proposed benefits.

7. Legal Implications

- 7.1. There are no legal, governance and / or compliance implication arising from this report.

8. Staffing Implications

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

9. External Consultees

9.1. No external consultations have been undertaken.

10. Recommendations

10.1 That the members of Economic Scrutiny Committee note the content of this report and the proposed direction of travel in relation to business investment.

11. Background Documents

11.1 There are no background documents referenced in this report.

12. Appendices

12.1 None.