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**Report to:** Business Innovation and Growth Panel

**Date:** 7 September 2017

**Subject:** Business Support (*for information only*)

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## 1 Purpose

- 1.1 To provide the Panel with an update on business support activity being undertaken, including the LEP Capital Grants Programme and new products to support small and medium-sized enterprises (SMEs) in Leeds City Region (LCR). The LEP Growth Service update is provided in item 8.

## 2 LEP Capital Grants

### Current Programme

- 2.1 The LEP Capital Grants programme provides grants of between £10,000 and £250,000 to businesses in Leeds City Region to support with capital investment projects. This can include where a business is purchasing new equipment or making improvements to existing business premises. The grants can contribute up to 20% of the total cost of a capital investment, with businesses needing to demonstrate that they have the remaining required finance in place. Businesses also need to create new jobs to access the grants.
- 2.2 The current programme is funded with £33.7m of Local Growth Deal funding (LGF) up to the end March 2021. Table 2 below presents progress since the LGF funding commenced in April 2015.

**Table 2: Programme performance against headline targets**

Target Measure	6-Year Target (April 15 to March 21)	Achieved (as of 22 August 17)
Expenditure	£33.2m	Committed - £26.6m Actual - £19.4m
New Jobs Created	4,100	Committed - 4,656 + 1,760 safeguarded Actual - 1,538.5 + 1,575 safeguarded

Businesses Supported	765	Committed - 467 Actual - 362
Number of Grants Awarded	n/a	Committed - 534 Actual - 412
Public/ Private Sector Leverage	£168.5m	Committed - £274.0m Actual - £166.7m
Total Cost Per Job	No contractual target	Committed - £5,705 Actual - £12,582

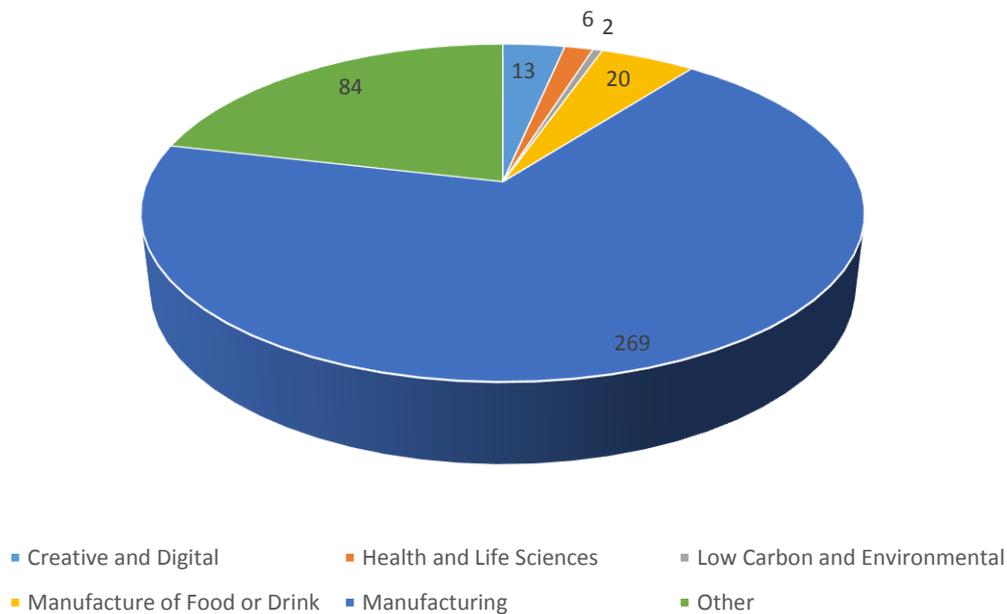
- 2.3 As the above table highlights, the programme is achieving a good return in terms of cost per job, with even the actual figure achieved to date for new jobs of £12,582 being significantly below the national average for programmes of this nature (circa £30,000). This figure would be even lower if the 1,575 actual safeguarded jobs were included in the overall calculation, and would equate to just under £6,232 per job.
- 2.4 The Investment Panel recently recommended the approval of three grants totalling £406,500. The first is for £110,000 for a large food manufacturer that is making a £1.1 million investment in new equipment and alterations to premises, which will result in the creation of 30 new jobs. The second is for £126,500 to an SME internet-wholesaler that is investing £1.26 million in fitting out a new distribution facility, which will create 104 new jobs. The third is for £170,000 for an automotive manufacturer that is investing £2.3 million in new equipment, leading to the creation of eighteen new highly-skilled jobs.
- 2.5 All grants awarded to businesses by the LEP, including those from the BGP, are now published on the LEP website (<http://www.the-lep.com/about/governance-and-funding/grants-for-business/>). This includes the name of the business and the amount of grant awarded.
- 2.6 The below table compares the proportion of SMEs per district of the city region with the proportion of grants awarded per district. It shows that the West Yorkshire districts all perform well in terms of successfully accessing the grants, but that the North Yorkshire districts have a proportionately low take-up rate. This can be partly attributed to the relatively low number of manufacturers in North Yorkshire, and the existence of a similar grant scheme in that area. Craven is the one North Yorkshire district that has seen a recent increase in grants, which could be due to the presence of the SME Growth Manager covering the Airedale Corridor.

**Table 3: Grant awards by district**

District	Grants per district	SMEs per district
Leeds	28.3%	26.8%
Bradford	15.2%	14.5%
Kirklees	17.7%	13.5%
Wakefield	12.7%	9.5%
Calderdale	12.2%	7.5%
Barnsley	5.1%	5.9%
Harrogate	3.4%	8.5%
Craven	2.5%	3.2%
York	2.1%	7.2%
Selby	0.8%	3.4%

2.7 The below chart presents the number of grants awarded via sector, and highlights the importance of the programme to the manufacturing and food and drink sectors.

Number Of BGP Grants By Sector



**Business Floods Recovery Fund**

2.8 Following the floods over Christmas 2015, and the subsequent devastating impact on many businesses across the city region (particularly in Calderdale and parts of Leeds), the LEP and WYCA agreed to ring-fence £5m of the overall Business Growth Programme budget in the form of a Business Floods Recovery Fund.

2.9 The fund has provided grants of between £5K and £100K for capital investment in plant, machinery and premises that were damaged by the floods, and that were not,

for legitimate reasons, fully covered by insurance policies. The focus of the fund has been on safeguarding jobs, as opposed to creating new ones, and on supporting businesses to return to something like their pre-floods level of operation.

- 2.10 The fund, which was closed to new applications at the end of 2016, has supported 64 businesses with a combined grant-commitment of £3.15m, £1.78m of which has been paid to the flood-affected firms. To date, this has helped to safeguard 1,575 jobs and will leverage over £13m of private investment.

### **3 New Business Growth Products**

#### **Resource Efficiency Fund**

- 3.1 The £2.66m Resource Efficiency Fund (REF) is being delivered through the Growth Service over the next three years as a key product to improve productivity and efficiency for SMEs in the city region. It is jointly funded by the Local Growth Fund (LGF) and the European Regional Development Fund (ERDF), and provides advice and funding (grants of up to £10K) to SMEs to identify and implement improvements related to their use of resources i.e. water, waste and energy.
- 3.2 203 businesses have been supported by the project to date (against an original target of 167), with 196 having received visits from the two REF Managers. These have resulted in 119 assessments being commissioned and the completion of 114 assessment reports.
- 3.3 15 grant applications have been approved for a collective value of £116,377, with payments made to three businesses by August 2017. Additional marketing activity will take place in September 2017 to maintain interest in the project and increase the number of businesses taking up the grants. This will include closer partnership work with local business networks, such as the city region's four manufacturing alliances covering Bradford and Airedale, Calderdale and Kirklees, Leeds and Wakefield.
- 3.4 The projects supported include:- seven lighting upgrades, two insulated/fast-closing roller shutter doors, three heating upgrades, three compressors and two waste and baler/compactors. Funding has also been approved for three more specialist projects linked to the dying process, including a cold water dyepan-feed, hot effluent heat-recovery and burner management controls. Total estimated carbon dioxide (CO<sub>2</sub>) savings across all of the approved projects are 409 tonnes per annum, with estimated savings to the successful business applicants of £81,700 per annum.

#### **Strategic Business Growth**

- 3.5 The £7m Strategic Business Growth (SBG) project is now being delivered by the LEP and its appointed contractor, Winning Pitch. It provides small businesses with a package of tailored support to help them achieve their growth potential. This includes one-to-one business coaching, one-to-many workshops on key areas of business growth and an important peer-to-peer element that allows businesses to

share their experiences and expertise. The project runs up to the end of 2019 and there is also a £1m capital grant fund for the businesses recruited to the project by Winning Pitch.

- 3.6 Winning Pitch has recruited three Account Managers to cover the city region, and has now contracted with 30 business coaches with a range of specialisms and good working knowledge of the different districts in LCR. A further 40 coaches will be contracted in the coming weeks to further extend the reach and expertise of the project.
- 3.7 29 businesses have engaged with the project to date, with several referrals coming from the Growth Managers and the Ad:Venture programme, and the remainder being recruited directly by Winning Pitch. Of these 29 firms, 11 have undertaken an 'x-ray diagnostic' to assess business strengths and opportunities, and are now developing practical Growth Action Plans with their allotted Account Managers
- 3.8 Growth workshops and peer-to-peer board meetings will commence in September 2017, and will cover a range of topics, including: management & leadership, recruitment, 'scaling-up' the businesses, finance and 'value proposition'. Another major element of the project will be the requirement for Winning Pitch to closely monitor and report the impact of their support on the SMEs over the lifetime of the contract. This will encompass a range of indicators related to productivity, which will include, but not be limited to, employment creation.

### **Digital Enterprise and Access Innovation**

- 3.9 Updates on the above two projects are included separately within the Digital and Access Innovation reports.

### **Access to Finance**

- 3.10 The **Northern Powerhouse Investment Fund (NPIF)** formally launched on the 22<sup>nd</sup> February 2017 and has since invested over £4million of funding into LCR businesses, including the first Equity Fund Investment of £100,000. There is an even spread of investments across the priority sectors of the Strategic Economic Plan for LCR.
- 3.11 NPIF promotion has continued by both the Fund Managers and the British Business Bank (BBB) with extensive networking and attendance at key events. Focus is now on intermediaries, members organisations and the LEP Growth Service to continue to widen awareness of the Fund.
- 3.12 Feedback from both fund managers, and the BBB, confirms a continued positive level of demand from businesses across the city region, which is reflected in the level of loans and investments completed to date and a healthy forward pipeline of SMEs looking for finance. The conversion rate from enquiries to successful applications has been higher than anticipated by BBB, which is positive indication of the demand for external finance in the city region.

3.13 The first Regional Advisory Board meeting has taken place with LCR representative, Steve Harris (Lloyds Banking Group), in attendance. The second quarterly meeting to review the performance of the fund will take place in September 2017.

#### **4 Recommendation**

4.1 That the progress made to date on delivery of the business support programmes be noted.