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Report to: LEP Board
Date: 19 September 2017
Subject: Business Innovation and Growth Panel

1 Purpose

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

2 International Trade

New Developments

- 2.1 Whilst the outcome of post-Brexit trade negotiations are unclear, the UK's trading relationship with both the EU and other countries will undoubtedly change. The effects of international trade on sales, profits, productivity and innovation are well documented, and the city region needs to ensure that businesses here are best placed to address the potential impact of these changes and seize the opportunities that arise. As the global trading environment changes, our approach will also need to change to provide a more targeted and opportunity led approach to support the needs of the businesses located within the city region.
- 2.2 The International Trade Working Group is evolving to form a new wider and more inclusive partnership group to allow us to work more closely with a wider range of public and private sector partners and organisations in the city region who have an interest and role in supporting businesses to trade internationally. This will support the Trade Plan ambition to create 'closer and stronger collaboration between partners across the City Region resulting in more businesses exporting from Leeds City Region and the value of our exports increasing'.
- 2.3 The Trade and Investment team are looking at ways in which we can develop our web presence to provide a better platform to communicate and disseminate information on trade activities.

Trade Performance and Outlook

- 2.4 At a UK level the most recent data from HMRC shows that total trade exports for June 2017 were £28.3 billion, a decrease of £1.0 billion (3.5%) compared with the previous month, but an increase of £3.6 billion (15%) compared with June 2016.
- 2.5 The UK total export trade for Q2 of 2017 was £84.1 billion, an increase of 16% compared with £72.7 billion for Q2 of 2016. There was a trade deficit of £36.3 billion for Q2 of 2017, a decrease of 18% compared with Q2 of 2016.

- 2.6 The next national and regional trade data will be published in September and October respectively and will provide a clearer indication of how closely the Yorkshire and Humber region is following the national picture.

Trade Plan activities

- 2.7 The Trade & Investment team have recently concluded the latest call for Expressions of Interest (EOIs) for Kaola.com. We received 45 initial EOIs with 39 suppliers subsequently listed in the final catalogue for Kaola.com.
- 2.8 The Trade & Investment team are working with DIT to build additional activity around the Gulf Tour to the UK 2017, which will visit Leeds on 18th September as part of a national tour. <https://www.events.trade.gov.uk/gulf-tour-to-the-uk-2017/>.
- The Trade and Investment team will be running a campaign in the run up to this event to highlight the opportunities in the Gulf States for business in the city region.
 - On the 18th September, the Trade and Investment team are also hosting a breakfast roundtable for businesses in the healthcare sector and then co-ordinating two company visits to healthcare businesses during the afternoon.
- 2.9 Our partners in delivering these activities are DIT, Export Exchange, Medilink and the British Centre for Business in Dubai.
- 2.10 Further activity on the Gulf States will continue after the visit in September.
- 2.11 Working with DIT and the Honorary Consul for South Africa, the Trade and Investment Team are organising a visit from the South African High Commission to the city region in October. This will focus in particular on key sectors to highlight where the potential business opportunities may be for businesses in the city region.

Delivery Partners Update

Department for International Trade

- 2.12 The list of Northern Powerhouse trade missions has now been published <https://www.eventbrite.co.uk/o/northern-powerhouse-missions-14504816923>. The Trade and Investment team are currently looking at where opportunities for joint working may exist.

Exporting for Growth (EfG)

- 2.13 The take up of the European funded EfG export grant programme in the city region currently stands at 72 grant offer letters issued to the end of July 2017 making offers of a total of £247,581 in grant funding.

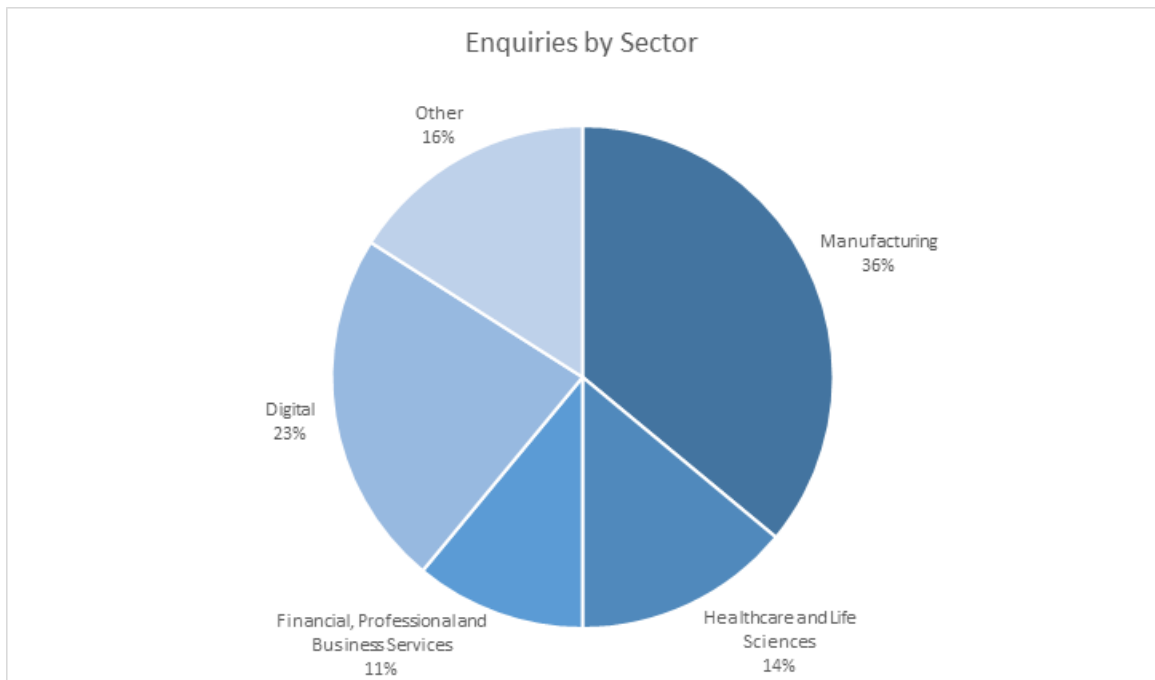
- 2.14 The new Export Exchange peer to peer network for the city region launched on 30th June and introduced the first 50 'Patrons' <https://www.exportexchange.co.uk/patrons.php>. The Patrons, all experienced exporters and business leaders, will share their expertise on every aspect of exporting and growth with fledgling SME exporters.

3 Inward Investment

Inward Investment Performance and Outputs

- 3.1 There has been one reported success since the last panel report, creating 300 jobs. The Trade and Investment Team continues to work on a number of large strategic inward investment opportunities, including Channel 4.

There is a strong mix of enquiries across our priority sectors as shown below.



New developments

- 3.2 The Trade and Investment team attended the Northern Powerhouse (NPH) Town Hall event in July to understand NPH's future strategic direction and partners were encouraged to input into the approach. DIT (NPH) are considering establishing an over-arching panel that defines and manages the inward investment strategy for the NPH. The Trade and Investment team are also being consulted on the forthcoming re-tender of DIT's national inward investment services contract.
- 3.3 Discussions over Key Account Management (KAM) funding with the Department for International Trade (DIT) are ongoing.
- 3.4 DIT announced the UK Foreign Direct Investment (FDI) results and the LCR results showed an increase of 22%.

- 3.5 LCR was represented at the London Technology week, meeting with multiple international contacts as well as exhibiting at the Global Expansion Summit.
- 3.6 The team hosted a delegation from the DIT Fintech and Innovation team and presented to delegates as part of a Chinese Investment Promotion Agency mission to the UK.

4 Innovation

Relationship with Innovate UK

- 4.1 The Partnership Agreement between WYCA/The LEP and Innovate UK setting out the principles and practical arrangements for closer collaboration between the organisations was officially signed at an event on 28th June.
- 4.2 The signing, between Kevin Baughan, Deputy CEX of Innovate UK, Andrew Wright, Chair of BIG Panel, and Cllr Tim Swift, BIG Panel Leader, took place alongside a roundtable Panel session, where invited attendees debated with 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.'
- 4.3 The second part of the day included an SME workshop session, hosted by Borg Warner, with the purpose of providing businesses with information on support available to innovate through the Access Innovation programme and Innovate UK.
- 4.4 Following on from this initial event, planning is underway to deliver an Innovate UK Local event in October 2017 at Unity Works, Wakefield. This event will showcase the range of support available through the Innovate UK family, including the network of Catapults, EEN and KTN alongside local innovation support.
- 4.5 The main objective of this event is to raise the profile and visibility of Innovate UK and the support and funding available for Leeds City Region SMEs to access. Recent analysis of Innovate UK data has shown that the reason our SMEs don't access their fair share of funding from Innovate UK is simply because they don't apply in the first place (as opposed to applying but being unsuccessful).

Northern Innovation Strategy

- 4.6 The eleven Northern LEPs have now established a working group to actively explore the development of a Northern Innovation Strategy. The working group is made up of officers from the LEPs/Combined Authorities of Greater Manchester, Hull and Humber, North East and Leeds City Region. The ambition of the group is to have a Northern Innovation proposal published in time to influence the Autumn Statement.

LEP University engagement

- 4.7 Roger Marsh will host his regular meeting with the City Region Vice Chancellors (VCs) on 4 October 2017. As discussed at the previous dinner, there will be continued discussion on the LEP's 'vision for the region', and on the ongoing opportunities to work more collaboratively on areas of mutual interest, such as innovation, inward investment and international trade. A meeting of the Leeds City Region Knowledge Transfer Directors will take place in September to support the meeting with the Vice Chancellors.
- 4.8 Leeds City Region Science and Innovation Audit is expected to be published in September. Once this has officially been released it will be circulated to the LEP with details of next steps.

Access Innovation

- 4.9 The £9.1m Access Innovation programme is now being delivered across the city region with funding from the European Regional Development Fund and the Local Growth Fund. Its primary objective is to help SMEs to become more productive and competitive through the development of new products, processes and services. This will be achieved by linking SMEs directly to the expertise and facilities within research intensive organisations, such as universities or Catapult Centres. The programme provides advice to businesses on which organisations can support them with their innovation activities, and also grants of between £5,000 and £50,000 towards the cost of working with the expert organisations.
- 4.10 The Access Innovation team is also working with a range of local and national partners to stimulate the appetite for innovation and Research and Development (R&D) investment amongst the city region's SME population. This involves one-to-one support for individual SMEs from the programme's three Innovation Growth Managers, and the delivery of sector-specific workshops and events on the premises of well-known business innovators.
- 4.11 The programme began working with businesses in late June 2017 and has now provided support to 127 SMEs, 57 of which have received one-to-one support from the Innovation Growth Managers resulting in detailed action plans for taking their innovation projects forward. Two applications for grants have been received and a number of other SMEs are currently working on their applications.
- 4.12 To date, the business sectors with the highest level of interest in the programme have been manufacturing, digital and healthcare. This will be built on in the next few months with more targeted marketing and communications activity, including eNewsletters and events.

5 Digital

Digital Plan

- 5.1 Work is underway to develop a Digital 'Plan' for the Leeds City Region as part of the Inclusive Industrial Strategy. This will include: digital infrastructure; digital inclusion;

digital skills (being mindful of the existing Employment and Skills Plan); digital opportunities for non-digital businesses and the digital sector. The Plan will seek to maximise and build on the City Region’s existing assets and capabilities to transform the productivity of our businesses and provide the present and future workforce with new opportunities to boost their earning power.

Digital Enterprise Programme

- 5.2 The Digital Enterprise programme was formally launched in early February 2017. It is led by Leeds City Council on behalf of a number of local authority partners in the city region, including WYCA, and is supported with £750K of match-funding from the LEP.
- 5.3 The Digital Growth Voucher scheme received a huge response from businesses in the first phase, which ran from February to March 2017. Approximately 150 voucher applications were expected, with the actual number of applications coming in at 480 (in 7 weeks.)
- 5.4 A mix of technologies was included in phase 1, ranging from hardware upgrades to website and digital connectivity projects, with many projects including a range of solutions (bundled projects).
- 5.5 The level of demand resulted in a temporary suspension of the scheme (at the end of March) to help manage the backlog. The second phase will now launch in September, with a third phase following in May 2018. Projects are being sought where applicants can demonstrate significant digital transformation for the business as well as economic impact.
- 5.6 The Digital Knowledge Exchange is a key component of the overall programme and will offer SMEs access to knowledge, expertise and advice on deploying digital solutions. It was launched in July 2017 with a keynote speech from Andrew Wright

6 Business Support

LEP Capital Grants Programme

- 6.1 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 £33.2m from the Local Growth Fund (LGF) up to March 2021.
- 6.2 The table below presents progress to date:

Target Measure	6-Year Target (April 15 to March 21)	Achieved (as of June 17)
Expenditure	£33.2m	£26.6m (committed) £19.4m (actual)

New Jobs Created	4,100	4,656 new (committed) 1,760 safeguarded (committed) 1,539 new (actual) 1,575 safeguarded (actual)
Businesses Supported	765	467 (committed) 362 (actual)
Public/ Private Sector Leverage	£168.5m	£274m (committed) £166.7m (actual)
Total Cost Per Job Created	No contractual target	£5,705 (committed) £12,582 (actual)

6.3 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 the current figure of £12,582 being significantly below the national average for programmes of this nature (circa £30K per new job).

6.4 The Business 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.

6.5 Consideration for how recipients of larger grants can contribute to the Inclusive Growth strategy is currently at an advanced stage. Examples of possible options include:- local supply chain opportunities, links to the enterprise in schools agenda and recruiting higher-level apprenticeships.

LEP Business Floods Recovery Fund

6.6 The above fund has now closed to new applications and has approved funding of £3.18m to support capital investments by 66 businesses badly affected by the floods in late 2015. The majority of the grants have gone to businesses in Calderdale (33) and Leeds (20), with seven awarded to York businesses, four to Bradford ones and two to ones in Kirklees. The grants will attract a further £10m of investment from the businesses receiving them. To date, £1.85m has been paid to the businesses, which has helped them to move closer to how they were operating before the floods. The grants will help to safeguard over 1500 jobs in the city region. This support for flood-affected firms is a good example of how funding can be diverted in a flexible and responsive manner to meet urgent businesses needs.

LEP Growth Service

6.7 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. The service is Leeds City Region's Growth Hub, of which there are 39 across the country.

- 6.8 Since its launch in July 2015, the service has supported over 3,200 businesses, over 1,300 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 and training and recruiting staff, with digital connectivity and business planning also proving popular in recent months. Manufacturing remains the most popular sector for business enquiries, followed by Creative & Digital and Financial & Professional Services.
- 6.9 The service has been receiving approximately twice as many enquiries per month this financial year than in the corresponding months of 2016/17, with July 2017 being the busiest month so far this financial year with 150 enquiries compared to 79 in July 2016. There also continues to be an increase in the volume of enquiries from businesses that want to grow, which represent the service's target customers. This can be partly attributed to more targeted communications activity, and to the introduction of new business support products in the city region that are focussed on growing firms.
- 6.10 Three 'Pop-Up' business advice cafés took place in July 2017 at Hebden Bridge, Castleford and Steeton. They were attended by 71 people from 61 businesses, with 81% of customers rating them as good and the remainder as excellent. These free events allow smaller firms to meet professional experts on a range of key business issues and opportunities all under one roof in their locality. 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. Two more events will take place in the early Autumn 2017 in Batley and Brighouse.
- 6.11 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 the city region's Local Authorities, other LEPs across the North and with the Government, to secure additional funding from April 2018 onwards.

New Business Support Programmes

- 6.12 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.
- 6.13 The £7m Strategic Business Growth (SBG) project is now being delivered by the LEP and its appointed contractor, Winning Pitch. It is also funded by ERDF and LGF, and

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.

- 6.14 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. 29 businesses have engaged with the project to date, 11 of which are now developing practical Growth Action Plans with their allotted Account Managers.
- 6.15 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.
- 6.16 The Northern Powerhouse Investment Fund (NPIF) formally launched on the 22nd 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 city region's Strategic Economic Plan. NPIF is funded by ERDF, the British Business Bank (BBB) and the European Investment Bank. Approximately £18m of the city region's ERDF allocation is supporting the fund.
- 6.17 NPIF promotion has continued by both the appointed fund Managers and the BBB with extensive networking and attendance at key events. The focus is now on private sector professional intermediaries (e.g. banks, accountants and solicitors), business membership organisations and the LEP Growth Service to continue to widen awareness of, and participation in, the Fund.
- 6.18 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 a positive indication of the demand for external finance in the city region. Further positive indicators are that Leeds City Region has received the second highest number of applications into the fund of the nine LEP areas involved, and the highest number of applications converting into completed deals.

7 Inclusive Growth

- 7.1 Following an audit of current activity and ideas for future work, the Panel is considering how both current and future programmes can be better aligned to meet

inclusive growth priorities. More detailed proposals will be presented at the Panel's next meeting in December 2017.

8 Recommendations

8.1 The LEP Board is asked to note the contents of the Panel update.