
Report to: Business Innovation and Growth Panel

Date: 13 September 2018

Subject: **Business Support**

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1 Purpose of this report

- 1.1 To provide the Panel with an update on business support activity being undertaken, including the LEP Growth Service, the Business Growth Programme, the Resource Efficiency Fund, Access Innovation, Strategic Business Growth, the Travel Plan Network and the Northern Powerhouse Investment Fund.
- 1.2 To endorse the proposed change to the Business Growth Programme policy related to multiple applications as set out at point 2.30 to 2.33 below.

2 Information

LEP Growth Service

- 2.1 The Growth Service provides businesses in Leeds City Region with direct access to the full range of publicly-funded products and services available to help them grow. This includes those delivered directly by the LEP and those available via partner organisations, such as the Department for International Trade, Innovate UK, local authorities, chambers of commerce, universities and colleges.

Progress to date

- 2.2 Table 1 below highlights progress against the headline targets for the service in 2018/19. **Appendix 1** provides more detailed information on the number and type of businesses supported by the service.

Table 1: Performance against headline targets 2018-19.

Target Measure	Target	Achieved July 2018
SMEs supported - light-touch & intensive (such as attendance at events, sign-ups to the LEP eNewsletter, referrals to other products/services)	2750	800
Intensive support to SMEs by Growth Managers (ongoing support over the year i.e. several meetings, diagnosis of need, personal referral to relevant products/services, support with funding applications etc).	630	294
Intensive support to SMEs (including support from Growth Managers, and the LEP's core business support products)	900	442
Delivery of Business Advice Pop Up events (with 7 in the 20% most deprived parts of the country)	12	7 (2 in 20% most deprived)
Proportion of businesses supported likely to recommend it	85%	92% (April 18 – June 18)
Service Expenditure	£600,500	£131,402

2.3 The service is currently on track to meet its annual target of supporting 2750 businesses. Since April 2018, it has supported 800 individual SMEs, of which 294 have been intensively supported by the team of SME Growth Managers. 442 businesses have received support from the range of LEP business support products, namely Resource Efficiency Fund, Access Innovation, Strategic Business Growth, Business Growth Programme and the Growth Managers.

2.4 Since the launch of the Service in July 2015, over 4600 individual businesses have received support. This demonstrates the continued reach of the service into the SME community of the City Region, with its value evidenced by over 800 firms accessing more than one of the LEP's core business support product since its launch (see **Appendix 1** provides more detail on the impact of the service on the SMEs supported).

Service developments

2.5 An independent evaluation of the service was completed in late May 2018, comprising of an online survey, interviews with key internal and external stakeholders, as well as with businesses. The study was designed to further explore satisfaction levels amongst those businesses supported via the Gateway and by the Growth Managers, and to provide more insight into the impact of the service on its customers and stakeholders. Headline findings are set out below (the full report available if requested):

- Increased levels of satisfaction from those assisted by the gateway (up 10% to 69%) and those account-managed by the SME Growth Managers (up 6% to 83%) compared to 2016.
- Increased number of supported businesses (up 10% to 64%) who feel more likely, or much more likely, to meet their growth aspirations compared to 2016.
- 73% of all respondents were likely or very likely to recommend the LEP business support to a friend or colleague.
- Overall, respondents who have received intensive support from a Growth Manager have achieved, or expect to achieve, more growth than those supported by the helpline i.e. more jobs created and/or safeguarded, increased levels of productivity and increased turnover.

2.6 The evaluation made a number of recommendations that are now being explored, including:

- Building on the science and innovation strengths utilising the Industrial Strategy Challenge Fund and the Strength in Places Fund (see Paper 10b)
- Continuing to invest in the skills and expertise of the Growth Managers to meet a broader range of business needs e.g. exports, workforce development, succession planning etc.
- Consider options for future income generation e.g. through sponsorship.
- Prioritisation of future support needs including Brexit-related resilience, investment readiness, productivity improvements and use of digital technology.

Progress with these recommendations will be brought back to future meetings of the Panel.

2.7 Recent analysis of the performance of a number of businesses supported by the Growth Service, and by the LEP's Business Growth Programme, demonstrates the positive impact on business performance. The analysis was undertaken in partnership with the Office of National Statistics, and involved comparing the performance of firms supported by the LEP to a control group of similar firms not supported. It yielded the following results:

- Supported businesses increased average employment by 8% compared to an increase of 1.6% for similar businesses not supported.
- Supported businesses increased average turnover by 4% compared to a decrease of 4.6% for similar businesses not supported.
- 50% of supported businesses increased employment between 2014 and 2017 and 65% of supported businesses increased turnover between 2014 and 2016.

- 2.8 The Gateway function and SME Growth Managers have recently engaged with over 300 businesses who participated in the 2017 Leeds City Region Business Survey and expressed an interest in receiving support from the LEP. This activity has resulted in additional businesses being referred to various LEP and partner programmes, and/or, receiving more intensive support from a Growth Manager.
- 2.9 Monthly SME Growth Manager meetings over the last quarter included guest presentations from DIT, Knowledge Transfer Network as well as updates on the Strategic Business Growth and the new Apprenticeship Grant for Employers (AGE), which was launched in August 2018. These monthly events continue to support the professional development of the Growth Managers and the Gateway team, whilst building strong working links with key partners.
- 2.10 The service also continues to support the Northern Powerhouse Growth Hub Network and the Better Business for All Regional Group, with service updates provided at regional meetings over the last quarter. The former has included input into the new NP11 Growth Hub workstream, which involves the development of a virtual Growth Hub Centre of Excellence for the north. Further details on this will follow in the December 2018 report.

Marketing and communications

- 2.11 The marketing strategy focuses on three priority areas, underpinned by social media campaigns:
- Engaging and supporting new Growth Service customers
 - Providing additional support to existing Growth Service customers
 - Developing the private sector intermediary network as a route to market
- 2.12 Case studies featuring local businesses that have received support from the LEP and its partners, help to raise the profile of the Service, particularly at district level and in underrepresented sectors. The focus this quarter has been on two manufacturing businesses, Huddersfield-based sealant and adhesive-manufacturer, Polyseam, and Calderdale-based BCA group, who manufacture and supply electrical systems and equipment for the caravan industry. In addition to written case studies, video case studies have also been developed for two business-recipients of the Resource Efficiency Fund (Leeds-based brewery, Greyhound Barks, and Calderdale dye-manufacturer, Azo). These will be available on the LEP website from September 2018. A full range of case studies can be found via <http://www.the-lep.com/case-studies/>.
- 2.13 E-marketing is also used to help build brand-awareness and stimulate the appetite for business support through more targeted content and social media activity. The SME eNewsletter is distributed to over 13,000 business contacts across the City Region on a quarterly basis. Featured content over the last quarter included promotion of the Pop-up Business Support Cafes, the launch of the new Apprenticeship Grant for Employers and an Innovate UK event in Leeds that launched its new loans programme <https://mail-the-lep.com/t/3LTT-FFI7-4782RMB83/cr.aspx>

- 2.14 Press releases were issued in the last quarter on the BCA Group and on the Pop-up Business Support Café which took place in Cleckheaton on 19 July. A telemarketing campaign to generate further interest in the Resource Efficiency Fund is ongoing, and featured content about the business support available from the LEP, and its partners, has been included on the Made in Yorkshire microsite.

Events

- 2.15 Events continue to be an effective way for the service to promote the City Region's wide range of business support products and services. Recent events include: exhibitors at the Yorkshire Day event on 1 August in Leeds, organised by British Print Industries Federation (BPIF). The event celebrated the Creative and Digital Sector and provided an opportunity to promote the launch of the new Apprenticeship Grant for Employers. The team of SME Growth Managers in the Leeds district also delivered presentations to businesses at events organised by Fera Science, as part of the Buy Yorkshire tradeshow, and at client events organised by Barclays and Pure Offices.
- 2.16 The SME Growth Manager in the York district has recently delivered another seven business masterclasses in partnership with representatives from the private sector. 82 delegates attended these sessions with key topics including: branding, the art of delegating, social media strategy, improving pitching skills and developing high-performance staff. These were selected in direct response to feedback from businesses. Additionally, a fourth 'stand and deliver' session was held in York with a number of businesses pitching to a panel of investors. The panel comprised Mark Fordyce (MD, York Data Services and Board member of Make It York), James Dalton (MD, Fonemedia) Helen Oldham (Director, North Invest) and David Best (Northern Powerhouse). Three of the businesses won an invite to a further meeting with the potential of securing equity investment.
- 2.17 The team has worked with the SME Growth Managers and local businesses to deliver seven Pop-up Business Support Café events since 1 April 2018. These have taken place in Beeston, Leeds and Manningham, Bradford in April, Wakefield, Todmorden and Otley in June and Keighley and Cleckheaton in July. 119 people from 102 small businesses attended the events and accessed 109 hours of free advice from almost 80 business experts. Satisfaction levels remain high with 85% of attendees rating them as good or excellent, and 58% stating that they are very likely to do something different in their businesses as a result of attending.
- 2.18 The 'Pop-up' model involves business experts volunteering their time to advise business-owners on such important topics as marketing, business planning and access to finance. The events have proven to be an effective and cost-efficient way for the LEP to engage with the private sector in some of the City Region's more outlying and disadvantaged areas. **Appendix 1** also provides further information about the impact of the Pop-ups.

Business Growth Programme (BGP)

- 2.19 The BGP provides grants of between £10,000 and £250,000 to businesses in the City Region towards capital investment (land, building, plant, equipment, machinery) that will lead to new job creation. Grants contribute up to 20% of the total cost of an investment, with businesses needing to demonstrate that they have access to the remaining finance required.
- 2.20 The current programme is supported with £42.7m of Local Growth Deal funding (LGF) up to the end March 2021, £3.74m of which is being used to provide match-funding for four projects being supported by the European Regional Development Fund (Access Innovation, Strategic Business Growth, Digital Enterprise and Ad:Venture). Table 2 below presents progress since 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 mid-July18)
Expenditure	£38.96m	Committed - £29.57m Actual - £24.34m
New Jobs Created	4,100	Committed - 4,936 + 1,693 safeguarded Actual – 3,033 + 1,682 safeguarded
Businesses Supported	No contractual target	Committed - 538 Actual – 453
Number of Grants Awarded	765	Committed - 626 Actual – 520
Public/ Private Sector Leverage	£168.5m	Committed - £306.4m Actual - £231.6m
Total Cost Per Job	No contractual target	Committed - £5,991 Actual - £8,026

- 2.21 As the above table highlights, the programme is achieving a good return in terms of cost per new job at just over £8,000. This figure would be lower if the 1,682 actual safeguarded jobs were included in the overall calculation and would equate to £5,163 per job.
- 2.22 The Business Investment Panel recommended the approval of two grants at its meeting on 9 August 2018. A grant of £125,000 was recommended to be approved to a Bradford-based food manufacturer. This will support a £5.6m investment in a new purpose- built manufacturing facility that will create 23 new jobs and four apprenticeships.
- 2.23 It was also recommended to approve a grant of £125,000 to a manufacturer in Huddersfield, working in the medical and security industries. The grant is to support a £1.9m investment in the extension and fit-out of premises, creating 10 new jobs.

2.24 All grants awarded to businesses, including those from the BGP, are published on the LEP website (<http://www.the-lep.com/about/governance-and-funding/grants-for-business/>). This includes the name of the business, the amount of grant awarded and the amount of grant paid to date. A summary of all LEP grant approvals by programme, district and assurance process is provided in **Appendices 2 and 3**.

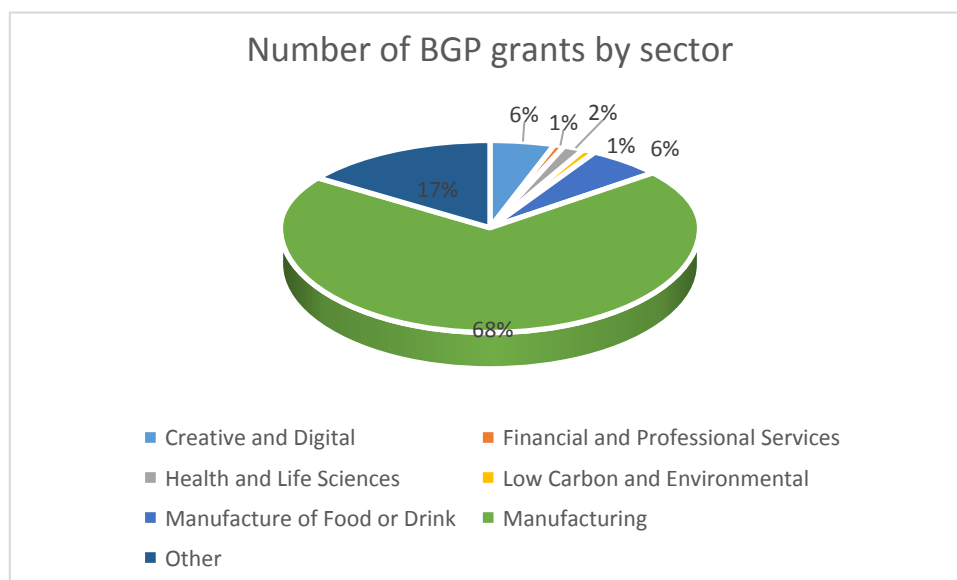
2.25 The table below compares the proportion of SMEs per district within the City Region against the proportion of grants awarded. It shows that West Yorkshire districts all perform well in terms of successfully accessing the programme, but that the North Yorkshire districts have a proportionately lower 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 that has recently changed its criteria to allow for smaller grants to be awarded.

Table 3: Grant awards by district since April 2015

District	Share of BGP Grants	Share of the City Region Business Stock
Leeds	29.1%	26.8%
Kirklees	19.7%	13.5%
Bradford	18.1%	14.5%
Wakefield	12.4%	9.5%
Calderdale	11.8%	7.5%
Barnsley	0.8%	5.9%
Harrogate	1.6%	8.5%
Craven	0.5%	3.2%
York	5.8%	7.2%
Selby	0.3%	3.4%

2.26 The below chart presents the number of grants awarded via sector, and highlights the continued importance of the programme to the manufacturing sector, which accounts for 67% of all grants awarded since April 2015. The next most popular sectors are Food and Drink and Creative and Digital, each with 6% of awards.

Figure 2: BGP Grants by Sector since April 2015



Business Flood Recovery Fund

- 2.27 Following the floods of Boxing Day 2015 and the subsequent devastating impact on many businesses across the City Region (particularly in Calderdale and parts of Leeds), the LEP and the Combined Authority agreed to ring-fence £5m of the overall Business Growth Programme budget to a Business Floods Recovery Fund.
- 2.28 The fund has provided grants of between £5,000 and £100,000 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.
- 2.29 Commitments through the Business Flood Recovery Fund currently stand at £2.86 million. A total of £3.18 million was approved through the fund, but three projects (totalling £168,000) have been withdrawn and a further 16 projects have gone ahead, but at a lower level, thereby reducing commitments by £152,000. To date, the fund has helped to safeguard 1,682 jobs and will leverage nearly £13m of public/private sector investment.

Multiple Applications to BGP

- 2.30 There has been an increasing trend of businesses supported through the BGP applying for grants on multiple occasions. There is currently no restriction on

the number of applications a business can submit, but there is a cap of a maximum of £500,000 that can be awarded to a business within a three-year period.

- 2.31 Due to the ongoing high demand for the grants, the decreasing size of the programme budget and the importance of reaching a wider range of businesses, it is proposed to change the programme boundaries as follows:
- reduce the maximum amount of grant a business can receive within a three-year period from £500,000 to £250,000.
 - limit the number of successful grant applications that a business can submit to three over a three-year period.
- 2.32 In practice, this would mean that a business could submit three applications with a collective value of £250,000, or below, over a three-year period, or, a single application of £250,000 within a three-year period. If approved, the new policy will be implemented from October 2018 onwards.

Inclusive Growth Commitments

- 2.33 The Inclusive Growth commitments, developed and endorsed by this Panel, went live on 31 July 2018 for new applicants to the BGP. Businesses with applications in the system prior to this date have until the end of September 2018 to submit their applications on the previous criteria. A review of the new approach will take place in February 2019, with findings reported to the Panel in March 2019.

Productivity Pilot

- 2.34 The Call for projects under the Productivity Pilot will open on 17 September 2018 and close on 14 December 2018. As endorsed by this Panel at its May 2018 meeting, the pilot will invite businesses to submit applications for capital grant investment that will result in measurable productivity improvements, but that do not require net additional jobs to be created within the business.
- 2.35 There has been considerable interest to date in the pilot from businesses, and it has been promoted in a targeted manner via the SME Growth Managers, other business support products currently being delivered across the City Region and via several business networks and membership organisations. **Appendix 4** provides further information on the pilot.

Resource Efficiency Fund

- 2.36 The Resource Efficiency Fund (REF) is being delivered through the Growth Service until October 2019 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 £10,000) to SMEs to identify and implement improvements related to their use of resources i.e. water, waste and energy. Planning is underway to develop a follow-on project proposal in response to the next ERDF Call.

- 2.37 At the end of July 2018, 431 businesses had contacted the project, with 410 having received visits from the two REF Managers. These have resulted in 222 assessments being commissioned and the completion of 210 assessment reports. All contractual outputs are on target.
- 2.38 100 grant applications have been approved with a total combined value of £675,305, and payments totalling £556,686 having been made to 79 businesses. A second telemarketing campaign has started, which will help to increase the volume of good quality leads into the project, as will the two video case studies currently in production. There is a need to increase the number of referrals from the wider business support network, which will be a focus of activity in the coming weeks and months.
- 2.39 A more diverse range of projects have recently come forward for support, including voltage optimisation, a water filtration system, a soap melter, and a water chilling and recirculation system. Total estimated carbon dioxide (CO₂) savings across all approved projects as of 31 July 2018 is 1,747 tonnes per annum, with estimated savings to the recipient-businesses of £433,809 per annum.

Access Innovation

- 2.40 Access Innovation is being delivered across the City Region with funding from the ERDF 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. The programme links SMEs directly to the expertise and facilities within research intensive organisations, such as universities or Catapult Centres. It provides advice to businesses on which organisations can support them with their innovation activities, and also grants of between £5,000 and £100,000 towards the cost of working with expert organisations.
- 2.41 To date, the programme has engaged with over 430 SMEs, 214 of which have received one-to-one support from the three Innovation Growth Managers, resulting in detailed action plans for taking their innovation projects forward. 24 applications for grants have been approved to date with a collective value of circa £934,000. A further 11 applications totalling £650,000 have been received and are currently being appraised. A number of other applications of varying sizes are currently being developed with support from the Innovation Growth Managers.
- 2.42 The highest number of enquiries and approved applications to date are from the healthcare and life sciences, manufacturing (including textiles) and digital sectors. The programme team continue to build strong working links with organisations in these sectors, including the Engineering Employers' Federation, local Manufacturing Alliances, National Physical Laboratory,

Digital Health Enterprise Zone, Digital Catapult, Advanced Manufacturing Research Centre, Translate, the Yorkshire & Humber Academic Health Science Network and universities within and outside the City Region.

- 2.43 Referrals into the programme have recently increased from a number of sources, particularly the City Region's universities, other LEP business support products and through attending a number of local and regional conferences and networking events.
- 2.44 As part of the Access Innovation programme, the Combined Authority is currently undertaking a procurement exercise to appoint an organisation to support SMEs to increase their innovation capacity. A contractor is expected to be appointed in September 2018 and an update will be provided at the December 2018 meeting.

Strategic Business Growth – support for SMEs with high growth potential

- 2.45 The £6.75m Strategic Business Growth (SBG) project is being delivered by the LEP and its appointed contractor, Winning Pitch. It is also part-funded by ERDF and LGF and provides small, ambitious 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.
- 2.46 Winning Pitch has recruited 68 business coaches with a diverse range of sector specialisms to work on the project. Examples of coaching support currently being delivered include; reviewing business systems & processes and support in attracting a wider customer base. 141 businesses are now fully engaged with the support available, including 107 that have developed detailed growth action plans with their allotted account managers. Of these, 73 have benefitted from a combined total of over 2,700 hours of further coaching support and 36 have attended at least one of the 20 workshops covering such topics as scaling up, execution of a business plan and finance. The support being provided has already led to the creation of 45 jobs and four new products.
- 2.47 There have now been 16 grant approvals for businesses across the West Yorkshire districts and Harrogate representing five priority sectors:- Low Carbon & Environmental, Finance & Professional, Digital & Creative, Food & Drink and Manufacturing. The grants are contributing to investments in new machinery and the fit-out of new premises, with over 60 new jobs expected to be created. The combined value of the 16 investment projects is just over £1.18m, with the grants contributing just under £285,000.

Investment Readiness and Business Resilience

- 2.48 Following direction from the Panel at its May 2018 meeting, two projects are now in development to support SMEs to prepare for accessing the finance needed to realise their growth plans, and to put the most strategically-

important SMEs in the City Region in stronger positions to benefit from future challenges and opportunities, with a focus on financial health and property requirements. The Panel will receive updates on these project proposals at its December 2018 meeting.

Travel Plan Network

- 2.49 The Growth Service also acts as a central point for businesses of all sizes across West Yorkshire to access the Travel Plan Network (TPN). Businesses that join the network receive expert advice and guidance about implementing sustainable travel solutions, including discounted public transport offers, cycling initiatives and relocation support.
- 2.50 There has been a continued drive to increase membership of the network in order to encourage more employers, and their employees, to adopt sustainable ways to travel to and from, and during, work. The team is on track to meet the annual target of recruiting 80 new members in 2018/19, with 41 businesses joining the network since 1 April 2018. The total membership now stands at 396 businesses that between them employ almost 300,000 staff.
- 2.51 The team is also working with ten key multi-occupied sites as part of a European-funded project to help develop and implement shared travel plans. The purpose is to help business at shared sites adopt a collaborative approach to encourage modal shifts within the commuting patterns of their employees. A range of measures include public transport options, car park management strategies, the development and implementation of car sharing schemes, the use of car clubs, and cycling initiatives.
- 2.52 As a result of the support offered by the TPN advisors, two businesses (Zenith and CEG) located at Kirkstall Forge, Leeds have been awarded Silver and Gold Bike Friendly Business accreditation respectively by City Connect. The team is also providing ongoing relocation support to Leeds-based Premier Farnell and to HMRC, both of which are undertaking significant moves within the City Region.

Northern Powerhouse Investment Fund

- 2.53 The Northern Powerhouse Investment Fund (NPIF) formally launched on 22 February 2017, and has since invested £11.48m of funding in 73 businesses in Leeds City Region. £1.66m has been invested in 38 businesses via the micro fund, £6.67m has been invested in 27 businesses via the debt fund, and £3.15m in eight businesses via the equity fund.
- 2.54 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. Just over £18m of the City Region's ERDF allocation is supporting the fund, over 60% of which has been invested in the first sixteen months of being operational. The amount invested in Leeds City Region is the second highest of all LEP regions

involved in the fund, and the highest in proportion to the amount of ERDF allocated to the overall fund.

- 2.55 NPIF promotion has continued by both the appointed fund managers and the BBB with extensive networking and attendance at key events. The focus continues to be 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.

3 Financial Implications

- 3.1 There are no immediate financial implications directly arising from this report.

4 Legal Implications

- 4.1 There are no immediate legal implications directly arising from this report.

5 Staffing Implications

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

6 External Consultees

- 6.1 No external consultations have been undertaken specifically on this report.

7 Recommendations

- 7.1 That the Panel notes the progress made to date on delivery of the above business support projects, programmes and services.
- 7.2 That the Panel endorses the proposed changes to the Business Growth Programme policy related to multiple applications as set out at 2.30 to 2.32.

8 Background Documents

None.

9 Appendices

Appendix 1 – LEP Growth Service Performance Update

Appendix 2 – Summary of all LEP grant approvals by programme and district

Appendix 3 – Summary of all LEP grant approvals by assurance process

Appendix 4 – LEP Business Productivity Pilot