

BUSINESS INNOVATION AND GROWTH PANEL

**MEETING TO BE HELD AT 2.00 PM ON TUESDAY, 27 NOVEMBER
2018 IN ROOM 404, FLOOR 4, WELLINGTON HOUSE, 40-50
WELLINGTON STREET, LEEDS**

A G E N D A

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**
- 4. MINUTES OF THE MEETING OF THE BUSINESS INNOVATION AND GROWTH PANEL HELD ON 13 SEPTEMBER 2018**
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- 5. CHAIR'S UPDATE**
- 6. INNOVATION SUPPORT PROGRAMMES**
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- 11. TRADE AND INVESTMENT**
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12. BUSINESS SUPPORT

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Signed:

A handwritten signature in black ink, appearing to be 'B. M.' with a long horizontal stroke underneath.

**Managing Director
West Yorkshire Combined Authority**

**MINUTES OF THE MEETING OF THE
BUSINESS INNOVATION AND GROWTH PANEL
HELD ON THURSDAY, 13 SEPTEMBER 2018 AT COMMITTEE ROOM
A, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Andrew Wright (Chair)	Reliance Precision
Amir Hussain	Yeme Architects
Will Roebuck	E-Radar
Phillip Wilson	Slipstream Design
Simon Wright	Yorkshire Bank
Councillor Barry Collins	Calderdale Council
Councillor Andrew Lee	North Yorkshire County Council
Councillor Shabir Pandor	Kirklees Council
Steph Morris (Advisory Representative)	Innovate UK
Sandy Needham (Advisory Representative)	West & North Yorkshire Chamber of Commerce
Dr Peter O'Brien (Advisory Representative)	Yorkshire Universities
Professor Liz Towns-Andrews (Advisory Representative)	University of Huddersfield
Martin Stow	Nexus

In attendance:

Roger Marsh OBE	Chair, LEP Board
Sue Cooke	West Yorkshire Combined Authority
Henry Rigg	West Yorkshire Combined Authority
Sarah Bowes	West Yorkshire Combined Authority
David Shepherd	West Yorkshire Combined Authority
Julie Haigh	West Yorkshire Combined Authority
Marc Adams	West Yorkshire Combined Authority
Jonathan Skinner	West Yorkshire Combined Authority
Janette Woodcock	West Yorkshire Combined Authority

11. Apologies for Absence

Apologies were received from Martin Booth, Cllr Darren Byford, Cllr Roy Miller, Prof Lisa Roberts and Lee Savage.

12. Declarations of Disclosable Pecuniary Interests

There were no disclosable pecuniary interests declared by members at the meeting.

13. Exclusion of the Press and Public

There were no items on the Agenda requiring exclusion of the press and public.

14. Minutes of the Meeting of the Business Innovation and Growth Panel held on 24 May 2018

That the minutes of the Business Innovation and Growth Panel held on 24 May 2018 be approved and signed by the Chair.

15. Chair's Update

The Chair opened the meeting by welcoming Roger Marsh, Chair of the LEP Board and Julie Haigh, Private Sector Relationship Manager.

The Chair provided an update on NP11, a recent Select Committee appearance and the Autumn Budget submission.

Members were advised that Steph Morris, Innovate UK Regional Manager will be leaving her current role in October and she was thanked Steph for her work on the Business Innovation and Growth Panel. Recruitment for a new Member was underway but in the interim Dean Cook will be the Innovate UK representative on the Panel.

16. International Trade

The Panel considered a report on International Trade activity to date Which included:

- Trade Outlook
- International Trade Plan Progress
- Forward Plan 2018/19
- Outline Priorities for 19/20 Forward Plan

Current ideas for activity in 2019/20 include targeted activity on the city region's key sectors including showcasing at Arab Health 2020 and Valve World 2019, (both currently subject to evaluation of the current year's activity and identification of trade activity supporting the digital and creative sector) and development of trade activity focussed on target markets such as China, India, USA and Europe.

The Panel was asked to note the progress within the Trade Plan thus far and was asked for their comments and input into the development of key trade priorities and activities by 2019/20.

Resolved: That the contents of the report and the comments and input of the Panel be noted.

17. Inward Investment

The Panel considered a report on the Trade and Investment Plan that was presented to LEP Board in March 2018 and confirmed support for the direction of travel set out.

The Panel was also supportive of the positive progress on activities, including shortlisting for the Channel 4 National HQ.

Resolved: That the contents of the report and the progress within inward investment activities be noted.

18. Investor Development

The Panel was provided with a report on the new investor development team set up within the Trade and Investment team.

Marc Adams set the wider context and confirmed that some investor development had previously been carried out by local authorities and the Department for International Trade (Dft). For Leeds City Region Enterprise Partnership (LEP) to build on its growing reputation as a successful investment promotion agency, the addition of an investor development function will strengthen the City Region as a location in which to do business.

The Panel was supportive of the progress on the investor development activity reported above.

Resolved: That the contents of the report on the new investor development team be noted.

19. Digital Framework

The Panel considered a report and presentation to inform members about the Digital Framework consultation which launched in early July 2018 and is due to formally close on Friday 14 September 2018. The presentation set out some of the key statistics, emerging feedback and next steps.

Resolved: That the contents of the report and presentation be noted.

20. Strength in Places Fund

The Panel considered a report to inform about a series of LEP supported bids into the Strength in Places Fund.

Led by UK Research and innovation, Strength in Places Fund is a new competitive funding scheme that takes a place-based approach to research and innovation funding, to support significant regional growth.

The Panel was noted the content of the report and welcomed further

investment into the City Region's innovation assets to help drive future growth.

Resolved:

- (I) That the contents of the report be noted.
- (ii) That the Panel welcomed further investment into the City Region's innovation assets to help drive future growth.

21. Business Basics Fund

The Panel considered a report to inform the City Region's response to a competition funded by the Department for Business, Energy and Industrial Strategy (BEIS), and run by Innovate UK, to improve productivity in low-to-mid productivity firms by encouraging adoption of existing technologies and business practices associated with more productive firms in similar sectors.

The Panel supported the City Region's proposal for Innovate UK's business basics fund and discussed how this might be refined/targeted to meet the needs of the City Region's low-to-mid productivity firms.

Resolved: That the contents of the report and outcome of the discussion be noted.

22. Business Support

The Panel considered a report to 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.

The Panel noted the progress made to date on delivery of the business support projects, programmes and services and endorsed the proposed change to the Business Growth Programme Policy related to multiple applications as set out in the report.

Resolved:

- (i) That the contents of the report be noted.
- (ii) That the proposed changes to the Business Growth Programme policy related to multiple applications be endorsed.

23. Strengthened Local Enterprise Partnerships

The Panel considered a report to inform of the implications of Government's 'Strengthened Local Enterprise Partnerships (LEPs)' report presented by the LEP Chair.

Roger Marsh, Chair of the Leeds City Region LEP, asked the Panel to provide views to inform the LEP Board's response, which will be agreed at its meeting

on 20 September.

Resolved:

- (i) That the contents of the report be noted.
- (ii) That the views of the Panel be noted.

24. Governance Arrangements

The Panel was presented with a report and asked to note the governance arrangements and Terms of Reference for the Business Innovation and Growth Panel approved by the Combined Authority at its annual meeting on 28 June 2018.

Resolved: That the Governance Arrangements and Terms of Reference be noted.

25. Date of next meeting

27 November 2018 at 2:00 pm in Committee Room A, Wellington House, Leeds.

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Report to: Business Innovation and Growth Panel

Date: 27 November 2018

Subject: Innovation support programmes

Director(s): Sue Cooke, Executive Head of Economic Services and Alan Reiss,
Director Policy Strategy and Communications

Author(s): Alex Clarke and Henry Rigg

1 Purpose of this report

- 1.1 To provide the BIG Panel with an update on the Access Innovation programme.
- 1.2 To seek guidance and input from the BIG Panel on the design and development of a successor programme, with a view to submitting an outline business case to the European Regional Development Fund.

2 Information

Access Innovation

- 2.1 Access Innovation is being delivered across the City Region with funding from the European Regional Development Fund (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 specialist expertise and facilities within research intensive organisations, such as universities, Catapult Centres and some private sector specialists. 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 the relevant expert organisations.
- 2.2 To date, the programme has engaged with 457 SMEs, 235 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. 32 applications for grants have been approved to date with a collective value of £1,442,402. A further 23 applications totalling £445,309 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.

- 2.3 The highest number of enquiries and approved applications to date are from the healthcare and life sciences, manufacturing and digital sectors. The programme team continue to build strong working links with organisations in these sectors, including the Innovate UK, Knowledge Transfer Network, local Manufacturing Alliances, National Physical Laboratory, Digital Health Enterprise Zone, Digital Catapult, Centre for Process Innovation, Advanced Manufacturing Research Centre, Translate, the Yorkshire & Humber Academic Health Science Network and universities within and outside the City Region.
- 2.4 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.
- 2.5 As part of the Access Innovation programme, the Combined Authority recently undertook a procurement exercise to appoint an organisation to support SMEs to increase their innovation capacity. RTC North was awarded the contract and commenced its delivery of specialist workshops and advice sessions in November 2018. This will run until July 2019 and will provide the programme with a stronger pipeline of innovation-ready SMEs to take advantage of the funding element of the programme.
- 2.6 The draft interim evaluation of the programme has provided the following headline findings that will help to inform the design of a successor programme:-
- Access Innovation is successfully supporting a significant number of SMEs in the City Region to undertake innovation projects leading directly to the development of new products and processes. Consequently, this is delivering positive economic impact for the City Region, leading to more sustainable and productive businesses.
 - Furthermore, the programme is directly facilitating strong and mutually-beneficial working relationships between SMEs and the knowledge base, particularly Universities, which can deliver lasting positive economic impacts and a more business-focussed innovation support sector. It is having a particularly positive impact within the Healthcare Technologies and Creative and Digital sectors, which is clearly positive when considering their strategic importance to the City Region.
 - The scale of the programme's take-up to date is relatively modest when considering the size of the SME stock in the City Region. To this end, Access Innovation is regarded as a precise product with a relatively limited market i.e. those businesses already aware of the need for external innovation expertise and of the importance of collaborative-working.
 - To date, the programme has been most popular with businesses already working with research institutions (or with prior experience of collaborative

research), and has had less impact on engaging SMEs with less current appreciation of the potential business benefits of collaborative research.

- Whilst Access Innovation addresses some of the key barriers to innovation activity within SMEs (e.g. access to funding and to expertise), there remains some evidence of the need to stimulate more appetite amongst SMEs for R&D investment and to help build their capacity to undertake innovation activity.
- Several consultees highlighted lack of awareness of the City Region's wider innovation support offer as a barrier to collaboration. Therefore, improving information and stimulating demand were identified as important requirements for any innovation activity.
- It was noted by several consultees that there is a shortage of lower-value grants for collaborative R&D to de-risk projects, or, to provide an opportunity to test new relationships without incurring significant financial risk.
- The findings suggest that more market-building activity is required across the City Region to increase the flow of businesses looking for R&D funding and support, and to further embed a culture of innovation.

A future programme

- 2.7 In response to the above evaluation and the experience to date of delivering Access Innovation, a revised successor programme is in the early stages of development to commence delivery on completion of Access Innovation in December 2019. The working title for this is 'Connecting Innovation', to signify the importance of connecting ideas between partners, and connecting ideas with funding.
- 2.8 Connecting Innovation would provide access to all innovation-related business support in Leeds City Region (and beyond), with the Innovation Growth Managers focussing more on supporting SMEs to develop their innovation capacity and capabilities, as opposed to just working on the funding applications and subsequent projects. This would still include support to apply for funding (whether internal or external, e.g. Innovate UK competitions), but would also focus more on signposting to funding and other dedicated support (e.g. Innovate2Succeed), making connections into Universities, Knowledge Transfer Partnerships and Catapult Centres. It would also build on the innovation-awareness programme currently being delivered by RTC North on Access Innovation to assist businesses to keep abreast of the latest innovation topics and support, and contribute to building the City Region's innovation culture.
- 2.9 It is proposed, therefore that the Innovation Growth Managers would require a more detailed, forensic, knowledge of the local and national innovation landscape and connections, and would also need to be continue to build strong relationships with all the relevant organisations within and outside the City Region.

- 2.10 There would remain a grant/voucher element to the programme to incentivise collaboration and further SME investment in R&D, but this would be at a lower level than on the current programme, and would be used to support a broader range of innovation activities. This could include collaboration between businesses, as well as between businesses and research/testing organisations, and may also include other internal costs related to innovation activities, such as salaries, training and capital investment. A fund to support a small number of high-impact innovation projects with larger grants could also be included, but these would need to demonstrate transformational change for those SMEs involved and would likely have a supply chain focus.
- 2.11 In summary, it is proposed that the new programme broadens the scope of the current one to help firms understand and navigate the innovation support ecosystem, whilst focussing more on business-to-business collaboration and on building the innovation appetite and capability of more SMEs across the City Region. Marketing and communications would need to be a key part of the programme, both in terms of promoting the City Region's innovation assets and expertise to its SME base, but also by showcasing the large number of SMEs already undertaking significant innovation investment across all sectors. This will link to the Combined Authority/LEP's emerging Business Heroes initiative.

3 Financial Implications

- 3.1 There is an opportunity to bid into the European Regional Development Fund (ERDF) to deliver the new innovation support programme, Connecting Innovation. It is estimated that circa £1m of public sector match-funding would be required to successfully deliver the programme. Discussions are underway within the Combined Authority as part of the business planning process to identify the potential sources of this match-funding, recognising the challenges related to this in the current fiscal climate.

4 Legal Implications

- 4.1 There are no legal implications at this stage.

5 Staffing Implications

- 5.1 Depending on the final scale and scope of the proposed successor programme, there will be staffing implications for the Combined Authority.

6 External Consultees

- 6.1 Engagement has taken place with Innovate UK and with the City Region's Universities, including through Yorkshire Universities. Further engagement will take place to inform the design and development of the full business case.
- 6.2 The recent independent evaluation of the current Access Innovation programme involved consultation with a number of businesses and other key stakeholders, and this will be used to shape and inform the new programme.

7 Recommendations

- 7.1 That the BIG Panel notes progress to date on Access Innovation.
- 7.2 That the BIG Panel provides guidance and input on the design and development of a successor programme to Access Innovation.
- 7.3 That the BIG Panel provide feedback on the working title 'Connecting Innovation' or suggest alternatives.

8 Background Documents

None.

9 Appendices

None

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Report to: Business, Innovation and Growth Panel

Date: 27 November 2018

Subject: **Preparing for Brexit**

Director: Alan Reiss, Director of Policy, Strategy and Communications

Author(s): James Hopton, Marc Adams and Henry Rigg

1 Purpose of this report

- 1.1 To provide an update on the latest economic and business intelligence and to consider the key messages from this as the UK prepares to leave the European Union.
- 1.2 To update the Panel on ongoing work to prepare and support the city region's businesses and communities ahead of the UK's withdrawal from the EU, whilst focusing on key areas of opportunity to support the city region's growth ambitions.

2 Information

- 2.1 This report presents recent developments in the global, national and local economies. The report is now produced on a regular, quarterly basis. As such the latest available version will be presented to the Panel for each of its meetings. When no new report is available from the previous meeting, a brief update will be provided to the Panel covering any recent major developments.

The version presented here is the November 2018 Economic Update.

The economic report now includes dedicated commentary on the extent to which current local and national economic data offers insights on the health of the Leeds City Region and wider economy as the UK moves towards its formal exit from the European Union.

A contextual assessment is also presented in this covering paper (which accompanies the economic report) on progress to date in the design and development of our support offer to the city region's businesses and communities as the UK prepares to withdraw from the EU.

Main national and international headlines

- 2.2 The main national and international headlines include:

- The IMF has recently revised down its forecasts for global growth to 3.7% for both this year and next – down 0.2% from its forecasts in April. Recently announced tariffs and trade measures are key reason for this downward revision, which keep growth projections in line with 2017.
- The IMF forecast growth in the UK to slow from 1.7% in 2017 to 1.4% and 1.5% in 2018 and 2019 respectively. Poor weather in Q1 is a factor in this, though anticipated higher barriers to trade post-Brexit are also a factor in the medium term despite the IMF assuming that UK-EU trade remains tariff-free.
- UK GDP increased by 0.7% in the three months to August. This is substantially higher than the 0.1% growth in March-May. Warm weather was an important factor in this. The service sector expanded by 0.5%, though this was outpaced by growth of 0.7% in production and 2.9% in construction.
- UK productivity increased by 0.5% in Q2 2018, following a QonQ fall in Q1. Productivity growth remains below the pre-recession trend.
- Total employment in the UK was largely unchanged in the three months to August, according to ONS. The employment rate dipped to 75.5% from a record high of 75.7%.
- Unemployment also fell by 47,000 to 1.36 million, an unemployment rate of 4%.

2.3 **Leeds City Region economic headlines**

For Leeds City Region, the key headlines include:

- The value of goods exports from Yorkshire & Humber increased at a faster rate than any other English region between Q1 2018 and Q2 2018. The region's goods exports increased by 3.4% in Q2, compared to a 2.2% fall nationally, according to HMRC data. The region has seen the joint fastest growth in goods export of any English region since the EU referendum in June 2016. However, growth in the number of companies exporting has been lower here than nationally (up 5% compared to 6% nationally). This suggests that this increase in trade is a results of increasing activity among existing exporters, as opposed to an above trend increase in the number of exporters. Yorkshire & Humber trade with the EU has grown more quickly since the first half of 2016 than nationally, whilst growth in trade with the rest of the world has increased more quickly nationally than in Yorkshire.
- New ONS analysis suggests Yorkshire & Humber exported services worth £7.78bn in 2016, an increase of 8.1% on 2015. This growth rate is third lowest among UK regions, and falls between North West (-0.9%) and North East (+14.3) at a northern level.
- Business activity continued to expand across Yorkshire and Humber through September according to the Natwest Regional PMI, albeit at a reduced pace.

- Yorkshire businesses reported increased domestic and international demand in the PMI survey, and remain optimistic that output will continue to increase over the next year. As such, headcounts continue to expand.
- Total employment in Leeds City Region increased by 4,000 (0.3%) between Q1 and Q2 2018, taking the employment rate to a new record high of 73.7%. Employment increased faster than in the UK as a whole where it increased by 0.1%.
- Unemployment in the City Region fell by 3,100 (4.5%) in Q2 2018. There are now 65,200 people unemployed, the lowest level since 2005. The unemployment rate is 4.4%, also its lowest since 2005. Whilst falling unemployment is clearly a positive, it should be noted that substantial numbers of workers both regionally and nationally remain underemployed, working either fewer hours or in less secure employment than they would like. Meanwhile around 23% (275,000) of workers in Leeds City Region earn less than the Living Wage Foundation living wage of £8.45 an hour.

2.4 **Brexit commentary and assessment**

There are signs that UK businesses are beginning to become increasingly alive to the uncertainty of Brexit negotiations and the perceived higher risk of a “no deal” outcome. A CBI survey suggested one in five businesses had already begun to implement contingency plans, with increasing numbers of companies planning to follow suit if no certainty emerges before the end of 2018. Similarly, the Chambers of Commerce have reported lower levels of investment in their national survey for Q3.

At City Region level, the labour market remains relatively strong with employment increasing and unemployment decreasing. However, it is notable that some of the sectors that have seen strong employment growth of late are among those with reliance on EU workers which may pose a challenge to these industries in future, most notably logistics and hospitality sectors. The region’s goods exporters continue to see the benefit of sterling’s fall and have seen export activity expand strongly in the past two years. This may be a factor in the continuing levels of confidence among the region’s businesses, who remain more optimistic than those in most other regions. The apparent fall in new business starts does however suggest a degree of hesitancy in some quarters.

That same hesitancy is evident in the housing market, where sales volumes point to a slowdown despite rising prices. Many households, like businesses, appear to be waiting for clarity and confidence in future arrangements before making significant investment decisions. This pattern may be more evident in the consumer sector as it enters the critical Christmas trading period.

2.5 **Supporting our businesses, people and communities as the UK transitions to a new trading model**

Since 2016, the Combined Authority and LEP have continued to develop and adapt a range of products and services to support the growth and

sustainability of the City Region's businesses in these uncertain economic times. This has involved maximising the funding sources available, particularly the European Regional Development Fund, European Social Fund, the Local Growth Fund and the Leeds City Region Business Rates Pool, to enable our businesses, people and communities to tackle future challenges and take advantage of future opportunities.

Progress to date in this area includes:-

Support to businesses – using our business support schemes to provide greater resilience

- The LEP/Combined Authority is developing a £3.6m extension to the current LEP Growth Service to specifically focus on business resilience and future-proofing i.e. how to best prepare for the challenges and opportunities brought about by Brexit and other economic factors. This will involve expanding the current SME Growth Manager resource to provide more tailored and intensive support for a targeted cohort of strategically-important SMEs. These will be identified by the LEP/Combined Authority and its Local Authority partners with the criteria for identification including size, sector, and position within supply chains, exposure to international trade and exposure to changes in the regulatory environment. Other factors such as reliance on migrant labour, changes to national living wage rates, the need to find new premises and impact of clean air zones will also be important factors.
- The above extension to the Growth Service is expected to commence in April 2019, subject to approval of the full business case that has been submitted to the Managing Authority for the European Regional Development Funding (ERDF). If approved, an additional 8.5 SME Growth Managers will be recruited to support the businesses in scope.
- Furthermore, and to complement the above, the LEP/Combined Authority will launch its new £1.4m Investment Readiness programme in early 2019. This will provide SMEs with advice and guidance on the range of external finance options open to them, and deliver bespoke packages of support to put firms in the best possible position to access the funding they need to meet their future plans.
- The LEP/Combined Authority will continue to closely review the range and scope of the Brexit “No Deal” information notices produced by the government, recognising the current status of the UK's negotiations with European Commission. At this point in time we feel it would be premature to offer specific advice and guidance through the Growth Service on the local implications of these notices and we would encourage businesses in short term to consider any industry specific guidance that may be relevant to them (from trade or business representative groups).

Skills – product development to support upskilling and meet the needs of businesses specifically impacted by Brexit

- Advice for businesses on their training needs is available through the Leeds City Region Skills Service, with subsidy available for training required.
- Skills Service advisors can (and are) supporting businesses to develop a plan to upskill their existing staff to meet new requirements and to find appropriate training, with training subsidies available.
- Where individuals want to re-train in order to access new employment opportunities, tailored support will be available through the “reboot” programme (DWP as the managing authority has confirmed “In-Principle” approval of £3 Million for programme).

Investor development – ensuring we have the capacity to respond the needs of key local businesses

- In May 2018 the LEP/Combined Authority Trade and Investment team in partnership with the Department for International Trade established an investor development team. The team was set up to initiate strategic conversations with specific foreign owned companies that currently do not have an established relationship with Government.
- The team in its current structure will target active relationships with circa 100-120 key Leeds City Region companies. As part of the role managing the relationships with these companies as we transition out of EU will provide invaluable intelligence on business issues and sentiment.
- The investor development team currently has secured funding until March 2019. Subject to further funding and dependent on the source and volume of funds the investor development team can engage with a variety of businesses to secure business intelligence and identify business support areas related to Brexit.

Trade – maximising domestic and international trade opportunities in a new and emerging environment

- The LEP International Trade Plan (2016-2021) sets out the principles and practical arrangements for collaboration with trade delivery partners across the City Region. The plan’s ambition is to increase the number of SME exporters in Leeds City Region and to drive up the value of exports across Leeds City Region.
- The LEP is leading Northern Powerhouse work designed to drive up local domestic purchases from large UK and international OEM’s (Original Equipment Manufacturers) and Tier 1 companies through the Northern Powerhouse 11 consortium.

Inward investment – driving investment from key global markets

- The city region is working hard to build investor confidence to help drive investment after the UK's formal departure from the EU as evidenced by the September outbound mission to China (Hangzhou, Qinqdao and Hong Kong) led by Cllr. Blake (alongside key business and universities from the city region). The mission showcased the strengths of Leeds City Region with key intermediaries, potential investors and government organisations. The mission met with over 100 businesses and government contacts.
- The most recent EY Attractiveness Survey showed that Leeds remained in the top three cities in England underlining the attractiveness of the Leeds City Region inward investment package more generally and helping to drive an 18% increase in Foreign Direct Investment from the previous year. Foreign Direct Investment results into Yorkshire & Humber overall have remained consistent in the past two years but it is now becoming widely regarded that the 'innovation ecosystem' is becoming a more predominant factor influencing the location of Foreign Direct Investment.

2.6 Maximising funding to support our Growth Ambitions post Brexit

At its 11 October meeting the Combined Authority endorsed the recommendation that the Leeds City Region should seek to ensure that the totality of the funds we need to secure from the UK Shared Prosperity Fund (UKSPF) to support our growth ambitions should encompass (at least) what we receive from the European Structural Investment Fund and LGF (Local Growth Fund) – which is £200 million annually. Equally work is ongoing to ensure that Leeds City Region maximises the drawdown of its remaining European Structural Investment Fund allocation (currently estimated at just under £100 million) – focusing additional calls for projects and working with the Managing Authority to streamline the business appraisal process for applicants.

2.7 Conclusions, implications and next steps

The assessment presented in this paper sets out clearly the progress achieved to date in preparing our businesses and communities for the UK's future trading relationship with the EU and highlights the ongoing work in developing our planning to ensure our packages of support remain relevant depending on the specific nature of the UK's departure from the EU.

The Research & Intelligence Team will continue to monitor the impact of Brexit on the City Region economy and its businesses. The Quarterly Economic Survey with the Chambers of Commerce has now been re-established and will report results for Q4 2018 in early 2019. This will provide timely insight on business performance and confidence along with further intelligence on the views of City Region businesses on Brexit. The annual Leeds City Region Business Survey will build on this in early 2019.

3 Financial Implications

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

4 Legal Implications

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

5 External Consultees

- 5.1 No external consultations have been undertaken.

6 Recommendations

- 6.1 The Panel is asked to note the analysis presented in the economic update and dashboard and the actions detailed in this paper in response to Brexit, and consider how this relates to its work.

7 Background Documents

None.

8 Appendices

Appendix 1 – Leeds City Region Economic Update Report – November 2018
Appendix 2 – Leeds City Region Economic Dashboard – November 2018

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ECONOMIC AND BREXIT MONITOR: LEEDS CITY REGION, NOVEMBER 2018

Key points at glance

This report presents the latest assessment of the Leeds City Region economy. It sets out recent national and international developments along with trends and forecasts for global growth. It considers in more detail the latest developments in Leeds City Region and the implications for the economy as the UK approaches its exit from the European Union.

National and international headlines

- The **IMF has recently revised down its forecasts for global growth** to 3.7% for both this year and next – down 0.2% from its forecasts in April. Recently announced tariffs and trade measures are key reason for this downward revision, which keep growth projections in line with 2017.
- The **IMF forecast growth in the UK to slow from 1.7% in 2017 to 1.4% and 1.5% in 2018 and 2019** respectively.
- **UK GDP increased by 0.7% in the three months to August.** This is substantially higher than the 0.1% growth in March-May. Warm weather was an important factor in this.
- **UK productivity increased by 0.5% in Q2 2018**, following a Q on Q fall in Q1. Productivity growth remains below the pre-recession trend.
- **Inflation fell to 2.4% in September**, down from 2.7% in August whilst **average earnings increased by 3.1%** in the three months to August, the highest annual growth rate since 2008. Real pay has increased by 0.7% in the past three months, with wage growth outpacing inflation for five consecutive months.
- **Total employment in the UK was largely unchanged** in the three months to August, according to ONS. The employment rate dipped to 75.5% from a record high of 75.7%. **Unemployment also fell.**

Key City Region and local developments

- The value of goods **exports from Yorkshire & Humber increased at a faster rate than any other English region** between Q1 2018 and Q2 2018. The region's goods exports increased by 3.4% in Q2, compared to a 2.2% fall nationally, according to HMRC data. The region has seen the joint fastest growth in goods export of any English region since the EU referendum in June 2016.
- New ONS analysis suggests **Yorkshire & Humber exported services worth £7.78bn in 2016**, an increase of 8.1% on 2015. This growth rate is third lowest among UK regions, and falls between North West (-0.9%) and North East (+14.3) at a northern level.
- **Business activity continued to expand across Yorkshire and Humber** through September according to the Natwest Regional PMI, albeit at a reduced pace.
- **Yorkshire businesses reported increased domestic and international demand in the PMI survey, and remain optimistic** that output will continue to increase over the next year.
- **Total employment in Leeds City Region increased by 4,000 (0.3%)** between Q1 and Q2 2018, taking the employment rate to a new record high of 73.7%. Employment increased faster than in the UK as a whole where it increased by 0.1%.
- **Unemployment in the City Region fell by 3,100 (4.5%)** in Q2 2018. There are now 65,200 people unemployed, the lowest level since 2005. The unemployment rate is 4.4%, also its lowest since 2005.

Brexit implications and conclusions

- There are signs that UK businesses are beginning to become increasingly alive to the uncertainty of Brexit negotiations and the perceived higher risk of a “no deal” outcome.
- At City Region level, the labour market remains relatively strong with employment increasing and unemployment decreasing. However, it is notable that some of the sectors that have seen strong employment growth of late are among those with reliance on EU workers which may pose a challenge to these industries in future, most notably logistics and hospitality sectors.
- The region's goods exporters continue to see the benefit of sterling's fall and have seen export activity expand strongly in the past two years. This may be a factor in the continuing levels of confidence among the region's businesses, who remain more optimistic than those in most other regions. The apparent fall in new business starts does however suggest a degree of hesitancy in some quarters.
- That same hesitancy is evident in the housing market, where sales volumes point to a slowdown despite rising prices. Many households, like businesses, appear to be waiting for clarity and confidence in future arrangements before making significant investment decisions.

These issues are explored in greater detail in the remainder of this document.

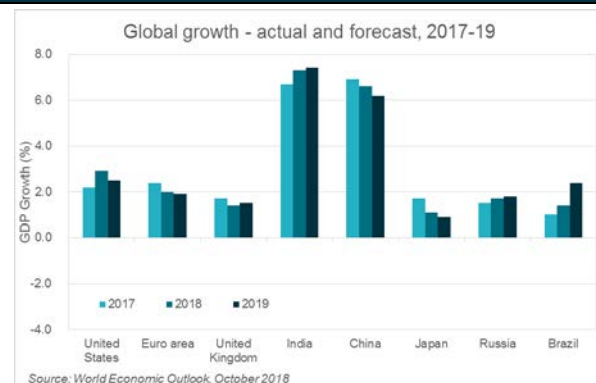
ECONOMIC AND BREXIT MONITOR: LEEDS CITY REGION, NOVEMBER 2018

Introduction

- This report presents the latest assessment of the Leeds City Region economy. It sets out recent global and national developments before considering in more detail the latest data for Leeds City Region and the implications for the economy as the UK approaches its exit from the European Union.
- New data available includes updated global economic forecasts from the IMF, whilst new official UK data is available on monthly GDP and the labour market up to August 2018. There is also new official data on trade, inflation and retail activity and survey data on business sentiment.
- For Leeds City Region, labour market for Q2 2018 and regional goods exports data from HMRC for the same period are also presented. Banksearch on the number of new business bank accounts and CoStar data on the commercial property market are available for Q3 2018.

Global economic and political developments

- A range of geopolitical and trade tensions have heightened concerns about the global economy of late, with a mixed outlook for near term prospects.
- US GDP increased by 0.9% in Q3 2018, a slight slowdown from Q2 but still a measure of robust growth.
- The Eurozone economy grew by just 0.2% in Q3, a slowdown from 0.4% in Q2.
- The Chinese economy grew by 6.5% in Q3, a slowdown from 6.7% in Q2. Growth is expected to continue to slow as tariffs begin to take effect. Growth in the next-largest emerging market, India, remains strong, driven by domestic demand.
- The price of oil has surpassed \$80 per barrel for the first time since 2015 in October. A range of issues are limiting supply, whilst diplomatic tensions with Iran and Saudi Arabia are also pushing up prices.
- The IMF has recently revised down its forecasts for global growth to 3.7% for both this year and next – down 0.2% from its forecasts in April. Recently announced tariffs and trade measures are key reason for this downward revision, which keep growth projections in line with 2017.
- The IMF forecast growth in the UK to slow from 1.7% in 2017 to 1.4% and 1.5% in 2018 and 2019 respectively. Poor weather in Q1 is a factor in this, though anticipated higher barriers to trade post-Brexit are also a factor in the medium term despite the IMF assuming that UK-EU trade remains tariff-free.
- UK public finances have performed better than expected so far this year, with public sector borrowing falling to its lowest level in 16 years to £19.9bn in the first half of the financial year.
- In recognition of the UK's low unemployment and improved financial position, the IMF suggest that some "modest tightening" of monetary policy may be warranted, for example through higher interest rates. However, the Fund also urged UK policy makers to remain flexible "in response to changing conditions associated with the Brexit negotiations".
- There are signs that UK businesses are beginning to become increasingly alive to the uncertainty of Brexit negotiations and the perceived higher risk of a "no deal" outcome. A CBI survey suggested 1 in 5 businesses had already begun to implement contingency plans, with increasing numbers of companies planning follow suit if no certainty emerges before the end of 2018. Similarly, the Chambers of Commerce have reported lower levels of investment in their national survey for Q3.
- These trends are supported by statements made by major UK companies in recent weeks. The automotive industry continues to express concerns over the Brexit process, with Honda saying Brexit could increase costs by 10% and some manufacturers planning partial or temporary shutdowns to mitigate the risks of a no-deal Brexit and in response to falling sales, with new car sales down 20% in September. Meanwhile pharmaceutical company AstraZeneca has said it is stockpiling medicines in preparation, but is maintaining its freeze on new investment in UK manufacturing.



Global economy summary: Whilst the US economy continues to grow solidly, apparently as yet unaffected by tariffs imposed as part of a growing trade war, the picture is less positive in Europe. Concerns over a trade war are one of a number of concerns here, with Brexit and a slowing economy combined with budget challenges in Italy also posing challenges.

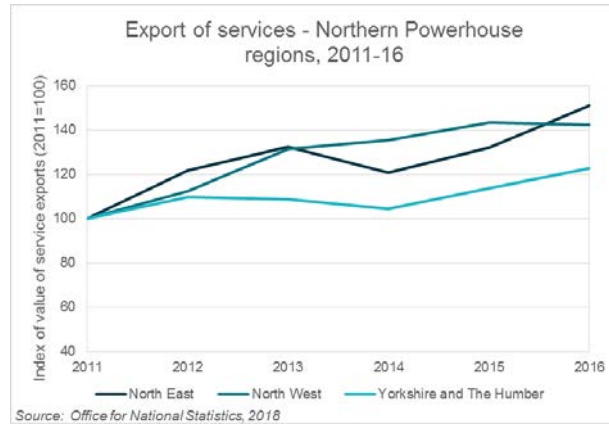
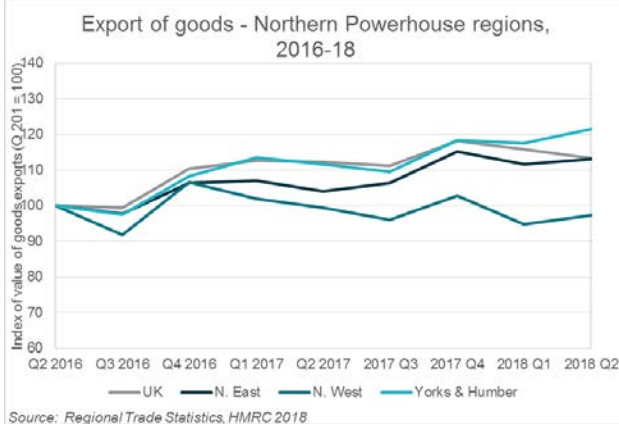
UK economic dashboard

Indicator	Latest position	Chart	Trend
Economic headlines	<p>UK GDP increased by 0.7% in the three months to August. This is substantially higher than the 0.1% growth in March-May. Warm weather was an important factor in this. The service sector expanded by 0.5%, though this was outpaced by growth of 0.7% in production and 2.9% in construction.</p> <p>UK productivity increased by 0.5% in Q2 2018, following a QonQ fall in Q1. Productivity growth remains below the pre-recession trend.</p>	<p>UK GDP growth, 2008-18</p> <p>Source: Office for National Statistics, 2018</p>	
Confidence and sentiment	<p>Expansion continued across the manufacturing, services and construction sectors in October. The pace of growth slowed in the two former sectors, but quickened in construction.</p> <p>Domestic and overseas demand softened for manufacturers. Business optimism was dampened across all three sectors, with companies in all saying Brexit uncertainty was hindering demand, particularly in consumer sectors.</p>	<p>Purchasing Managers Index (PMI) by sector, 2016-18</p> <p>Source: Markit/CIPs PMIs, 2016-18</p>	
Labour market	<p>Total employment in the UK was largely unchanged in the three months to August, according to ONS. 289,000 more people are in work than a year ago. The employment rate dipped to 75.5% from a record high of 75.7%.</p> <p>Unemployment fell by 47,000 to 1.36 million, an unemployment rate of 4%. There was however a 100k increase in economic inactivity (neither in work nor seeking work) to 8.75m.</p>	<p>UK employment growth 2008-18</p> <p>Source: Office for National Statistics, 2018</p>	
Trade and exports	<p>Retail sales increased by 1.2% in the three months to September, though this was largely down to strong summer performance, with sales volumes down 0.8% between August and September.</p> <p>The UK's trade deficit narrowed by £4.7bn to £2.8bn in the three months to August. Imports increased by £2.5bn, but this was outpaced by export growth of £7.2bn.</p>	<p>UK retail sales, 2008-18</p> <p>Source: Office for National Statistics, 2018</p>	
Inflation and wages	<p>Inflation fell to 2.4% in September, down from 2.7% in August. Transport costs were the main driver of price increases, rising by 5.5%, whilst energy costs also increased.</p> <p>Average earnings increased by 3.1% in the three months to August, the highest annual growth rate since 2008. Real pay has increased by 0.7% in the past three months, with wage growth outpacing inflation for five consecutive months.</p>	<p>Wage growth and inflation, 2008-18</p> <p>Source: Office for National Statistics, 2018</p>	

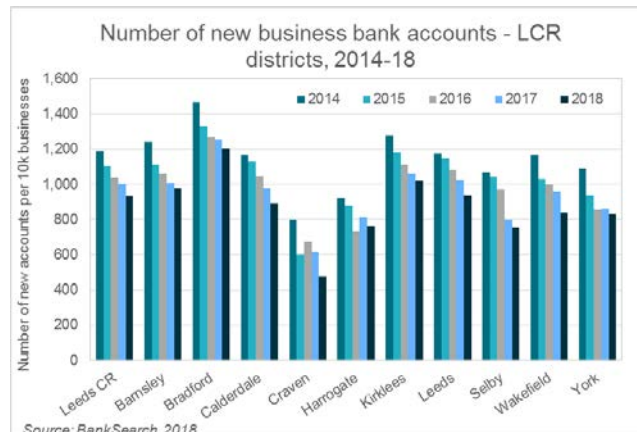
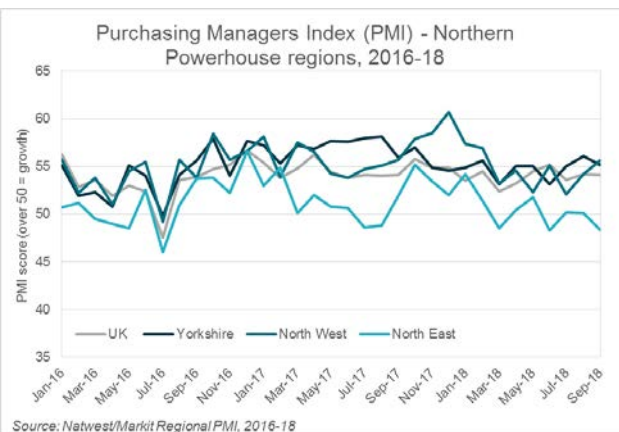
Brexit implications: At a headline level the UK economy remains relatively healthy. However, there are signs that the effects of a strong summer helped by good weather are still being felt and more recent data suggests a slowdown as the UK has headed into the autumn. Perhaps not coincidentally, surveys suggest that there is increasing recognition among businesses of the risks posed by Brexit uncertainty, with more businesses starting to enact their contingency plans in the event of a “no deal” scenario.

Leeds City Region – Business Performance and Trade

- The value of goods exports from Yorkshire & Humber increased at a faster rate than any other English region between Q1 2018 and Q2 2018. The region's goods exports increased by 3.4% in Q2, compared to a 2.2% fall nationally, according to HMRC data.
- Yorkshire & Humber has seen the joint fastest growth in goods export of any English region since the EU referendum in June 2016. Along with East Midlands, exports are 21.5% higher than Q2 2016.
- The European Union accounted for 60% of goods exports from Yorkshire & Humber in Q1 2018, higher than the 58% averaged across 2017. North America and Asia/Oceania accounted for 12.6% each.
- New ONS analysis suggests Yorkshire & Humber exported services worth £7.78bn in 2016, up 8.1% on 2015. The region has seen lower growth in service exports than other English regions in the past five years.
- Financial services accounts for a third of the region's services exports, a higher share than any other region. Another third is shared almost equally between manufacturing, professional services and transport.
- Yorkshire & Humber accounts for around 3% of UK services exports and 5% of goods exports. This in part reflects the dominance of London in service exports, though in both cases the region has a lower share of exports than its share of the UK economy would suggest (7%).



- Business activity continued to expand across Yorkshire and Humber through September according to the Natwest Regional PMI, albeit at a reduced pace. The region's PMI dipped from 56.1 to 55.2 from August to September (a reading over 50 indicates growth), though it remains the 3rd highest among English regions.
- Yorkshire businesses reported increased domestic and international demand in the PMI survey, and remain optimistic that output will continue to increase over the next year. As such, headcounts continue to expand.



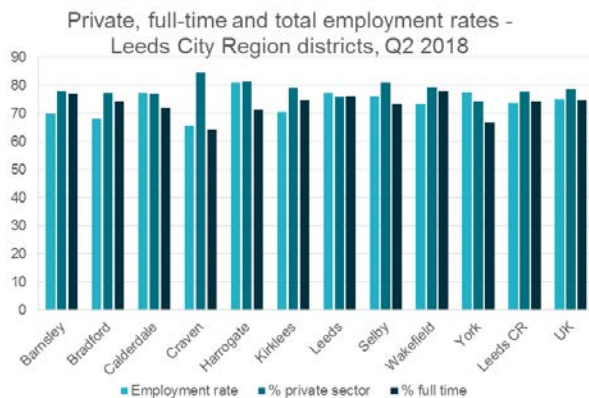
- 3,800 new business bank accounts were opened in Leeds City Region in Q3 2018 according to BankSearch, down from over 4,000 in Q2 and from 4,100 in Q3 2017. Over the first three quarters of 2018, the number of new business accounts opened is down 6.7% in Leeds City Region and 9.7% nationally.
- Barnsley saw the number of new account openings increase by 9.6% between Q2 and Q3, with Bradford up 1%. All other districts were either flat or saw declines.

Brexit implications: The region's goods exporters continue to see the benefit of sterling's fall and have seen export activity expand strongly in the past two years. This may be a factor in the continuing levels of confidence among the region's businesses, who remain more optimistic than those in most other regions. The apparent fall in new business starts does however suggest a degree of hesitancy in some quarters.



Leeds City Region – Labour Market

- Total employment in Leeds City Region increased by 4,000 (0.3%) between Q1 and Q2 2018, according to the ONS Annual Population Survey. There are now 1.42 million residents in work. Employment increased fast than in the UK as a whole where it increased by 0.1%.
- Leeds (+0.8%) and Kirklees (+1.6%) both saw total employment increase by over 3,000 last quarter, though this was partially offset by 4 districts seeing declines of between 500 and 1,800, though it should be noted that data can fluctuate between quarters. Harrogate (+2.2%) saw the biggest increase in percentage terms.
- Employment growth in the City Region was on a par with Greater Manchester, Sheffield City Region and Greater Birmingham last quarter. West of England and Liverpool City Region saw stronger growth, though D2N2 and North East LEP areas saw small declines.

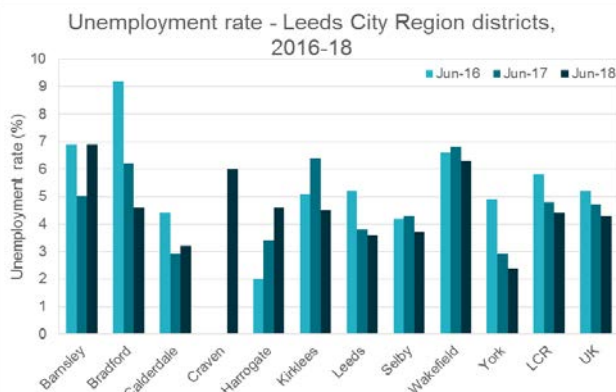


Source: Annual Population Survey, NOMIS, 2018

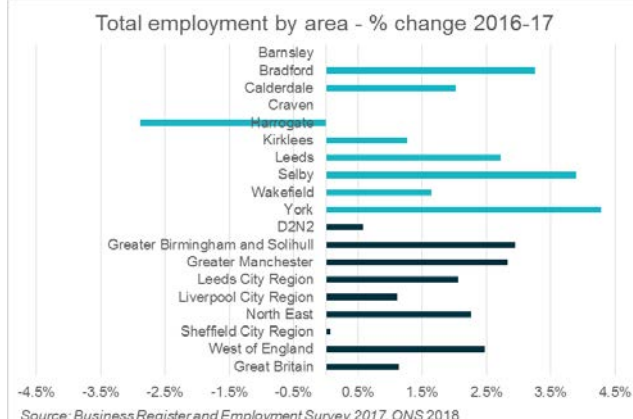


Source: Annual Population Survey, NOMIS, 2018

- The employment rate for Leeds City Region has increased to 73.7%, up from 73.5% in Q1 to a new record high. The City Region's employment rate remains the third highest among core city LEPs, but behind the UK rate of 74.9%. The employment rate has increased to above 77% in York, Calderdale and Leeds.
- The proportion of people aged 16-24 who are in employment increased to 54.7% in Q2, the first time it has surpassed 54% since 2009.
- Unemployment in the City Region fell by 3,100 (4.5%) in Q2 2018. There are now 65,200 people unemployed, the lowest level since 2005. The unemployment rate is 4.4%, also its lowest since 2005. Only Bradford and Craven saw very small increases in unemployment this quarter, and in the former's case the unemployment rate is halved from 9.2% in June 2016 to 4.6% in June 2018.
- Other data recently published by ONS looks at the growth in the number of workers in a given area (as opposed to the residence-based employment measures above). This shows that the number of workers in Leeds City Region increased by 28,500 between 2016 and 2017, an increase of 2.1%. Employment increased by 1.1% across the UK over the same period.



Source: Annual Population Survey, NOMIS, 2018



Source: Business Register and Employment Survey 2017, ONS 2018

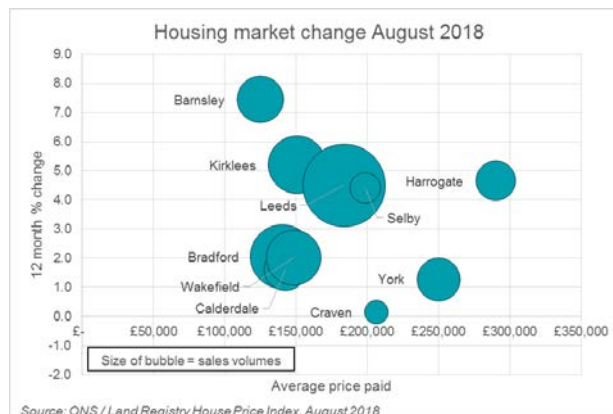
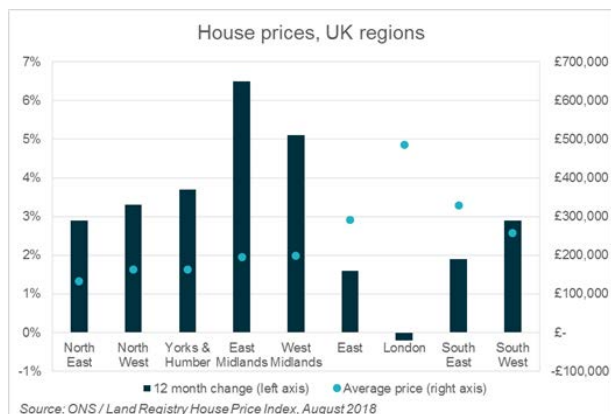
- Employment growth in 2017 was faster in Leeds City Region than in D2N2 and the Liverpool and Sheffield City Regions, but below that of other core city LEPs. Logistics, hospitality, and financial & professional services have contributed to employment growth in Leeds City Region of late.
- Most districts of Leeds City Region saw the number of workers increase in 2017, though the picture was flat in Barnsley and Craven and Harrogate saw a 2.9% decrease in the number of workers.

Brexit implications: At City Region level, the labour market remains relatively strong with employment increasing and unemployment decreasing. Some of the sectors that have seen strong employment growth of late are among those with reliance on EU workers which may pose a challenge to these industries in future.

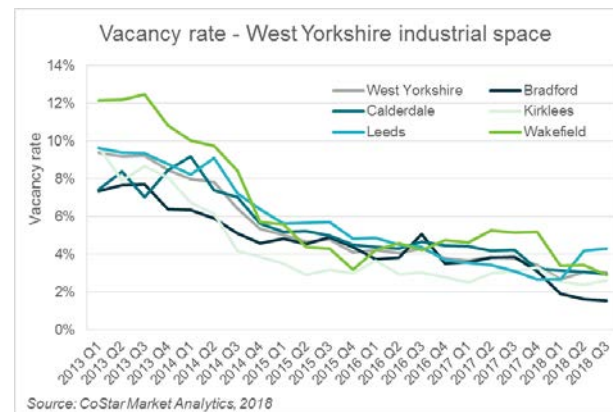
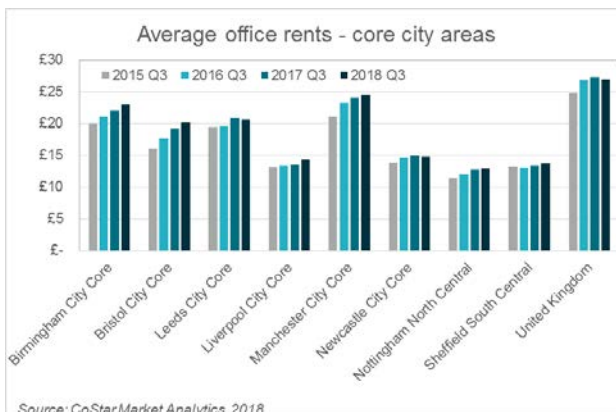


Leeds City Region – Housing, Property and Infrastructure

- House prices increased by 3.7% in Yorkshire & Humber in the year to August 2018. This is faster than regions in the south and north of England, but slower than the Midlands. London is the only area to see prices fall over the past year.
- Sales volumes are down 10.5% nationally and by 8.2% in Yorkshire & Humber in the first half of 2018 compared to the same period last year.
- The average property sold for £164,000 in Yorkshire & Humber in August. Northern regions remain substantially more affordable on average than other parts of England. There remains substantial variation across the region however, with average prices 35% higher in North Yorkshire than in South Yorkshire.



- Within the City Region, whilst all districts saw average prices increase over the past year this ranged from 7.4% in Barnsley to just 0.2% in Craven.
- Whilst prices increased in all districts, sales volumes fell in all areas. The number of transactions fell most sharply in Wakefield, down 17%. Craven saw the softest decline in sales volumes, down 3.4%. Transactions were down 10.7% across West Yorkshire as a whole.



- Average rents for West Yorkshire office space remain steady at £13.60 per square foot in Q3 2018, according to CoStar. Office rents have been little changed over the past year in most parts of West Yorkshire. Birmingham, Bristol and Manchester have seen office rents grow more sharply in the past year.
- The vacancy rate has fallen over the past year, from 7.9% in Q3 2017 to 6.2% in Q3 2018. The city core in Leeds has seen the fastest fall in vacancy rate, from 17.1% to 12.8% in the past 12 months.
- In the broader West Yorkshire market, a combination of robust occupier demand and several office-to-residential conversions caused office vacancy to fall sharply during recent quarters, reaching an all-time low near 6% in Q3. This is the 2nd lowest vacancy rate among major UK markets. CoStar expect the Leeds office market fundamentals to improve further once Channel 4 moves to the city.
- There is increasing pressure on industrial space in West Yorkshire, with vacancy rates falling 9% in 2013 to 3% in Q3 2018. The vacancy rate is just 1.6% in Bradford. As such, rental prices are increasing, up by an average of 1.6% over the past year though this is lower than the 6-7% growth seen in 2017.

Brexit implications: House prices in the region continue to rise, though a fall in volumes is indicative of a slower market. Many households, like businesses, appear to be waiting for clarity and confidence in future arrangements before making significant investment decisions. Whilst vacancy rates for commercial property suggest robust demand, relatively low rental growth may be indicative of fragile confidence.



Conclusions and outlook

- The global outlook has become more divergent and uncertain in recent months. Europe and China are being affected by a range of factors though the increasing threat of a trade war with the US is central to this. Other factors, such as the increasing nervousness around Brexit for many in Europe and rising oil prices and geopolitical risks more broadly have been behind major falls in stock markets in recent months.
- The US has so far bucked this trend and continues to report strong economic performance. This was expected to a large degree given recent tax cuts, and it remains to be seen if this is sustained in the medium term particularly if trade relations with China and the EU continue to deteriorate.
- These increasing tensions could be a factor in an apparent slowdown in the UK. Whilst headline economic data points to a strong summer driven by good weather, more recent intelligence from both surveys and harder data suggests that the picture has become more subdued through the autumn.
- Brexit does however to be increasingly central to businesses' thinking. It is notable that the issue was cited as weighing on sentiment across all sectors of the economy in October, regardless of performance. This suggests that businesses are becoming more conscious of the fact that their time to prepare and respond to any changes ahead of the March deadline is increasingly limited.
- Anecdotal evidence from conversations with businesses in Leeds City Region supports the findings reported here that many businesses have either already begun to enact their Brexit contingency plans or plan to do so by the end of 2018. For some, their business cycle is such that Brexit is now an operational issue and as such the response is already underway.
- Many City Region businesses cite uncertainty over import/export arrangements as a key concern which could impact on their operation as they don't have the capacity to stockpile or adapt to longer lead times. This is a critical issue for manufacturers, but also for sectors which have seen strong employment growth in Leeds City Region of late such as logistics. The sector has both a strategic reliance on the efficient movement of goods across borders and a high demand for EU migrant workers. As such future changes in this area will be critical to the sector.
- A lack of availability of workers is also a primary concern for businesses and some have suggested this is already having an impact, with recruitment becoming more challenging in recent months. This is likely to affect both high skilled roles and those sectors who are more reliant on lower skilled workers from the EU. The hospitality sector is one of these, and has also seen strong growth in Leeds City Region of late. With data suggesting weak consumer activity, this sector will be closely watched through the critical Christmas period.
- That said, for some businesses, particularly those for whom the US and Asia are already key import/export markets, Brexit is less of a concern and new trading relationships may prove beneficial in the longer term, though these importers continue to experience challenges from higher material costs.
- It is also clear from the data that our region has capitalised on the fall in sterling to accelerate export activity, with the value of exports growing faster here than in any other region since the EU referendum. Yorkshire & Humber has outperformed the UK on this measure of late and this is likely a key reason behind the region's businesses being consistently more optimistic than their counterparts elsewhere in the UK.
- The anecdotal evidence supports the wider data in that a tighter labour market is increasing demand for workers and helping to push up wages. This does not however appear to be feeding through into increased consumer activity, with many surveys and data sources suggesting that activity in this area has slowed of late. This is evident in slower retail sales and declining volumes in the housing market.
- Again, Brexit is likely to be a key factor here, as it is in the evident fall in new business starts and relatively low growth in commercial property prices. With the Article 50 deadline fast approaching, households and businesses alike delaying major investment decisions until there is greater clarity and confidence.

This briefing has been produced by the West Yorkshire Combined Authority Research & Intelligence team. Any comments or queries can be addressed to research@westyorks-ca.gov.uk.

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National and international				Leeds City Region			
Indicator	Latest position	Chart	Trend	Indicator	Latest position	Chart	Trend
Economic headlines	<p>A range of geopolitical and trade tensions have heightened concerns about the global economy of late, with a mixed outlook for near term prospects.</p> <p>GDP increased by 0.7% in the three months to August. This is substantially higher than the 0.1% growth in March-May. Warm weather was an important factor in this. UK productivity increased by 0.5% in Q2 2018, following a QoQ fall in Q1. Productivity growth remains below the pre-recession trend.</p>	<p>UK GDP growth, 2008-18</p> <p>Source: Office for National Statistics, 2018</p>		Economic headlines	<p>Business activity continued to expand across Yorkshire and Humber through September according to the Natwest Regional PMI, albeit at a reduced pace. The region's PMI dipped from 56.1 to 55.2 from August to September (a reading over 50 indicates growth), though it remains the 3rd highest among English regions.</p> <p>Yorkshire businesses reported increased domestic and international demand in the PMI survey, and remain optimistic that output will continue to increase over the next year.</p>	<p>Purchasing Managers Index (PMI) - Northern Powerhouse regions, 2016-18</p> <p>Source: Natwest/Market Regional PMI, 2016-18</p>	
Business performance & confidence	<p>Expansion continued across the manufacturing, services and construction sectors in October. The pace of growth slowed in the two former sectors, but quickened in construction.</p> <p>Domestic and overseas demand softened for manufacturers. Business optimism was dampened across all three sectors, with companies in all saying Brexit uncertainty was hindering demand, particularly in consumer sectors.</p>	<p>Purchasing Managers Index (PMI) by sector, 2016-18</p> <p>Source: Market/CIPs PMIs, 2016-18</p>		Business performance & confidence	<p>3,800 new business bank accounts were opened in Leeds City Region in Q3 2018 according to BankSearch, down from over 4,000 in Q2 and from 4,100 in Q3 2017. Over the first three quarters of 2018, the number of new business accounts opened is down 6.7% in Leeds City Region and 9.7% nationally.</p> <p>Barnsley saw the number of new account openings increase by 9.6% between Q2 and Q3, with Bradford up 1%. All other districts were either flat or saw declines.</p>	<p>Number of new business bank accounts - LCR districts, 2014-18</p> <p>Source: BankSearch, 2018</p>	
Trade and exports	<p>Total employment in the UK was largely unchanged in the three months to August, according to ONS. 289,000 more people are in work than a year ago. The employment rate dipped to 75.5% from a record high of 75.7%.</p> <p>Unemployment fell by 47,000 to 1.36 million, an unemployment rate of 4%. There was however a 100k increase in economic inactivity (neither in work nor seeking work) to 8.75m.</p>	<p>UK employment growth 2008-18</p> <p>Source: Office for National Statistics, 2018</p>		Trade and exports	<p>The value of goods exports from Yorkshire & Humber increased at a faster rate than any other English region between Q1 2018 and Q2 2018. The region's goods exports increased by 3.4% in Q2, compared to a 2.2% fall nationally, according to HMRC data.</p> <p>Yorkshire & Humber has seen the joint fastest growth in goods export of any English region since the EU referendum in June 2016. However, it has seen lower growth in service exports than other English regions in the past five years.</p>	<p>Export of goods - Northern Powerhouse regions, 2016-18</p> <p>Source: Regional Trade Statistics, HMRC 2018</p>	
Labour market	<p>Retail sales increased by 1.2% in the three months to September, though this was largely down to strong summer performance, with sales volumes down 0.8% between August and September.</p> <p>The UK's trade deficit narrowed by £4.7bn to £2.8bn in the three months to August. Imports increased by £2.5bn, but this was outpaced by export growth of £7.2bn.</p>	<p>UK retail sales, 2008-18</p> <p>Source: Office for National Statistics, 2018</p>		Labour market	<p>Total employment in Leeds City Region increased by 4,000 (0.3%) between Q1 and Q2 2018, according to the ONS Annual Population Survey. Leeds (+0.8%) and Kirklees (+1.6%) both saw total employment increase by over 3,000 last quarter.</p> <p>The employment rate for Leeds City Region has increased to 73.7%, up from 73.5% in Q1 to a new record high. The unemployment rate is 4.4%, also its lowest since 2005.</p>	<p>Private, full-time and total employment rates - Leeds City Region districts, Q2 2018</p> <p>Source: Annual Population Survey, NOMIS, 2018</p>	
Forecasts/prospects	<p>Inflation fell to 2.4% in September, down from 2.7% in August. Transport costs were the main driver of price increases, rising by 5.5%, whilst energy costs also increased.</p> <p>Average earnings increased by 3.1% in the three months to August, the highest annual growth rate since 2008. Real pay has increased by 0.7% in the past three months, with wage growth outpacing inflation for five consecutive months.</p>	<p>Wage growth and inflation, 2008-18</p> <p>Source: Office for National Statistics, 2018</p>		Housing and property	<p>House prices increased by 3.7% in Yorkshire & Humber in the year to August 2018. This is faster than regions in the south and north of England, but slower than the Midlands. Within the City Region, price growth ranged from 7.4% in Barnsley to just 0.2% in Craven.</p> <p>Office rents have been little changed over the past year in most parts of West Yorkshire. There is increasing pressure on industrial space in West Yorkshire, with vacancy rates falling 9% in 2013 to 3% in Q3 2018.</p>	<p>Housing market change August 2018</p> <p>Source: ONS / Land Registry House Price Index, August 2018</p>	
Summary	<p>UK economic and labour market headlines remain relatively strong, though there are signs that a strong summer has given way to a more subdued autumn with Brexit increasingly on the minds of businesses. Many surveys suggest businesses in Yorkshire & Humber are among the most optimistic of any in the country. The region's strong export performance since the Brexit referendum and the associated fall in the pound is likely a factor in this. Nonetheless, there is an increasing recognition of the risks posed by Brexit uncertainty, with more businesses starting to enact their contingency plans in the event of a "no deal" scenario. The Leeds City Region labour market remains strong, but the slowing pace of activity in commercial and residential property markets may suggest both people and businesses are cautious about making significant investments in an uncertain environment.</p>						

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Report to: Business Innovation and Growth Panel

Date: 27 November 2018

Subject: MIT REAP

Director(s): Alan Reiss

Author(s): Sarah Bowes

1 Purpose of this report

- 1.1 To update the BIG Panel about the University of Leeds led Massachusetts Institute of Technology Regional Entrepreneurship Acceleration (MIT REAP) programme.

2 Information

- 2.1 The Panel will be aware that earlier this year, in discussion with the LEP, West Yorkshire Combined Authority and others, the University of Leeds submitted an exploratory application into the programme which in July, was confirmed as having been successful (the first outside of London).
- 2.2 The two year programme, run by the Sloan School of Management at MIT, will start in October 2018. Lisa Roberts and Martin Stow will attend the meeting and provide an update on the programme.

3 Financial Implications

- 3.1 There are no financial implications.

4 Legal Implications

- 4.1 There are no legal implications.

5 Staffing Implications

- 5.1 There are no staffing implications.

6 External Consultees

- 6.1 University of Leeds have been consulted on this report.

7 Recommendations

- 7.1 That BIG Panel note the contents of the verbal update by Prof Lisa Roberts and Martin Stow.

8 Background Documents

None.

9 Appendices

None.

Report to:	Business, Innovation and Growth Panel
Date:	27 November 2018
Subject:	Supply Chains
Director(s):	Sue Cooke, Head of Economic Services and Alan Reiss, Director of Policy Strategy and Communications
Author(s):	Patrick Bowes and Jonathan Skinner

1. Purpose of this report

- 1.1 To seek Panel Members' input to shape emerging activity that better harnesses the power of supply chains to meet the City Region's priorities of boosting productivity and enabling inclusive growth. The report provides Panel Members with an overview of the University of Huddersfield-led supply chains support programme and outlines an emerging research piece from the NP11 consortium of northern Local Enterprise Partnerships (LEPs).

2. Information

- 2.1 Supply chains are the commercial glue that bring businesses together, with power to:
- Manage costs, drive efficiency and profitability
 - Stimulate innovation and research and development (R&D) in new products and processes
 - Share business good practice in terms of business leadership
 - Help companies gain exposure to new and growing markets.
- 2.2 Firm level improvement is increasingly data-led, capitalising on the development of big data and digital technologies. The key to making data meaningful often comes from wider insight derived from elsewhere in the supply chain or from other businesses. This means the sharing of business data is increasingly important, but brings with it major issues of risk and reward that can radically re-orientate each business' commercial relationships and supply chains.
- 2.3 However, supply chains can be opaque, with SMEs having limited understanding of the full breadth of opportunities to improve performance. This report describes two projects that can help unlock their potential and

shape emerging thinking with business and academic partners about how future support can build on the capacity of technology, and assets like new data marketplaces, to accelerate the pace of transformation. Private sector insight is particularly invited on:

- i. What makes a supply chain effective for stimulating innovation and R&D in new products and processes?
- ii. What are the major opportunities (technological, regulatory, consumer behaviour) to influence the design of supply chains?

SME supply chain support programme

- 2.4 The University of Huddersfield is leading a new project to support SMEs to improve their supply chain performance. This £4 million programme is part-funded by the European Regional Development Fund (ERDF) and will operate across the City Region upon till the end of 2021. The programme can provide SMEs with:
- A diagnostic to assess its current supply chain performance
 - A map of its supply chain and associated opportunities
 - A three-year supply chain strategy, detailed action plan and grant for any improvement project identified
 - Referral to other relevant support.
- 2.5 The programme outcome is to strengthen and improve resilience of the firms by helping them to, for example, move up a tier in their supply chain or enter a new supply chain. I can also support larger employers to improve the quality of their suppliers and to reduce their carbon footprints.
- 2.6 Steve Gregory, Head of Regional Engagement at the Huddersfield University and project lead, will present to the Panel an illustration of how the project works and of how its learning can be shared to shape more strategic activity.

NP11 – mapping supply chains in the Northern Powerhouse

- 2.7 As covered in the Chair's update to the previous Panel meeting, the eleven Local Enterprise Partnerships (LEPs) in the north of England have come together through the Northern Powerhouse (NP11) to tackle mutual issues. Chaired by Roger Marsh, the LEPs have identified three collective priorities: energy, health innovation/aging and supply chains.
- 2.8 The aim of the supply chain piece is to explore how northern business increases its share in northern supply chains. The Leeds City Region is the lead LEP on supply chains and will commission research to map the presence, profile, and distribution of integrated supply chains and their Northern companies, focused on the North's prime capabilities¹. The project will operate in two phases:
- Jan 19 – Oct 19: Quantitative mapping of supply chains

¹ Identified in the Northern Powerhouse Independent Economic Review, these are: Energy; Health Innovation; Advanced Manufacturing & Materials; and Digital.

- Nov 19 – Mar 20: Qualitative assessment for increasing domestic suppliers

2.9 It is also vital that the project brings together wider intelligence held across Government on the nature of supply chains. For example, the Departments of International Trade (DIT) and Business, Energy and Industrial Strategy (BEIS) have significant intelligence about the structure of some national sectors (e.g. automotive). In addition, the Government itself is also the lead procurer on several large infrastructure schemes with significant supply chain opportunities for SMEs across the City Region e.g. HS2.

2.10 The outputs from the project will be:

- Evidence to target advocacy by the NP11 LEPs and inform national initiatives.
- Informing the design of Northern Growth Hubs and their support for integrated supply chains, including potential supply chain disruption, e.g. due to Brexit and other factors affecting international trade in goods and services.

3. Financial Implications

3.1 There are no financial implications directly arising from this report. Activity described in this report is already funded, but new or associated activity is not.

4. Legal Implications

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

5. Staffing Implications

5.1 There are no direct staffing implications arising from this report.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Panel notes the research and project delivery activity set out in the report and provides private sector insight about the potential for transformed supply chains to drive business performance.

8. Background Documents

None.

9. Appendices

None.

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Report to: Business Innovation and Growth Panel

Date: 27 November 2018

Subject: **Digital Framework**

Director(s): Alan Reiss, Director of Policy, Strategy and Comms

Author(s): Sarah Bowes, Innovation and Digital Policy Manager

1 Purpose of this report

To provide BIG Panel with an update on the development of the Leeds City Region Digital Framework and seek endorsement for the adoption of the Framework.

2 Information

Background

- 2.1 Over the last 12 months work has been progressing to develop a Digital Strategy for the whole of the City Region.
- 2.2 Desk research and evidence gathering took place early in 2018. In March a series of facilitated pre-consultation workshops took place to test out some of the emerging thinking to date. These brought small groups of key stakeholders together in advance of any proposals being shared with a wider audience.
- 2.3 The overall ambition is for the Digital Framework is to provide a framework for investment and a collective narrative/ ambition for 'digital' across the whole City Region.
- 2.4 The Framework sets out to articulate an approach to the digital economy and to the development of digital capability across the City Region's population and institutions that sets the direction of travel and encourages all the other actors in the region to align with both the LEP and the Combined Authority and each other.
- 2.5 The golden thread running through the Digital Framework is people – lives transformed by digital tech. To ensure as much buy in and support to the Framework from people who will ultimately be impacted by it, the online consultation was launched in July using the Combined Authority's new

Engagement Hub Your Voice. The consultation provided a starter for ten in terms of ambition and suggested interventions, with a view to gathering much wider input to shape the Framework.

- 2.6 The online consultation was supported by a focused communications and marketing campaign which included the use of social media to share blogs, videos, polls of the week, Yorkshire Post articles, LEP newsletter, local authorities. A face to face event was also held in Holmfirth.

Consultation responses

- 2.7 Over 100 responses to the survey were received. 75% of responses were from individuals, 14% from businesses and 11% from organisations.
- 2.8 Responses were received from every district, although numbers vary significantly across the City Region:

District	% of responses
Leeds	36
Bradford	18
Kirklees	9
Barnsley	9
Wakefield	7
Calderdale	3
York	3
Harrogate	2
Selby	2
Craven	1
<i>Not stated</i>	<i>11</i>

- 2.9 The key question asked was to gauge the level of support for the proposed ambitions and interventions and identify any areas where this needed changing. *‘Do you agree with the proposed ambition and interventions’?* This was followed up with *‘please provide a comment to explain your answer’*.
- Digital opportunities for all businesses: **85%** of respondents either strongly agreed or agreed. No one disagreed or strongly disagreed.
 - Digital skills for all: **95%** of respondents either strongly agreed. One respondent strongly disagreed.
 - Strong digital sector: **89%** of respondents either strongly agreed or agreed. Two respondents disagreed and strongly disagreed.
 - World class digital infrastructure: **87%** of respondents stated that they strongly agreed or agreed. 1 respondent strongly disagreed.
 - Using tech for good: **86%** of respondents either strongly agreed. Two respondents disagreed.

- 2.10 Feedback received through the consultation process has now been incorporated into the revised framework. The high level ambition statements can be found in appendix 1.

Next steps

- 2.11 In line with the Combined Authority's approach to developing agile and flexible policy products, BIG Panel is asked to endorse the overarching outcomes and principles of the Digital Framework.
- 2.12 Working groups will be established to develop and own action plans to ensure the aspirations in the framework are realised, building on existing activity taking place across the City Region.
- 2.13 Each of the five outcomes of the framework will be owned by various existing Panels and Boards. Working groups will report directly to Panels.

Outcome	Panel	WYCA officer lead
Digital opportunities for all businesses	BIG / ESP	Sarah Bowes/Henry Rigg
Digital skills and inclusion for all	Skills – ESP* Inclusion – Inclusive Growth and Public Policy Panel	Peter Glover / Emma Longbottom James Flanagan/Sarah Bowes
Digital Sector	BIG Panel	Tony Corby/ Sarah Bowes
World class infrastructure	Place Panel	Justin Wilson
Tech for good	BIG Panel / LEP Board	Sarah Bowes/ Kate Gifford/ Tony Corby

*Or Digital Skills Partnership if application successful.

- 2.14 LEP Board are considering whether the establishment of a LEP Digital Working Group is also required to provide a more holistic overview of activity and leverage opportunities. This could include the LEP Board digital champions – Rashik Parmar, Adam Beaumont, Andrew Wright, Nic Greenan, along with Kersten England as lead Chief Executive and Officers from the working groups to provide an overview of activity and report back to LEP Board.

- 2.15 To support the adoption of the new Digital Framework, the team is working on a digital place narrative to promote Leeds City Region Transformed by Tech. This will set the people aspect of digital at its centre, whilst showcasing existing strengths and future opportunities for the digital tech City Region.

3 Financial Implications

- 3.1 There are no financial implications in endorsing this strategy. Specific activities which arise through the working groups may require future funding but these will be brought back as separate requests, as and when.

4 Legal Implications

- 4.1 There are no legal implications arising from this report

5 Staffing Implications

- 5.1 There are no direct staffing implications arising from this report. The staff identified above are already involved in activity under the five outcomes.

6 External Consultees

- 6.1 Consultation and engagement has taken place through the following routes: Chief Executives, BIG Panel, Employment and Skills Panel, private sector pre consultation workshops, local authority workshops, and public engagement via YourVoice, twitter and linkedin.

7 Recommendations

- 7.1 That BIG Panel endorses the overarching outcomes and principles of the Digital Framework

8 Background Documents

None.

9 Appendices

Appendix 1– Digital Framework ambitions



Digital for all businesses

Ambition:

All our businesses will be equipped to exploit new digital technologies and take advantage of the opportunities for business growth through data.

Principles:

Our prosperity and success depends on ensuring all our businesses have the opportunities to access and exploit the best digital technology and data to drive innovation and productivity. We will work to stimulate, encourage and enable the business leadership, behaviour changes and cultural shift needed to embrace the 4th industrial revolution.



Digital skills for all

Ambition:

Everyone in the City Region has the opportunity to develop the digital skills they need to flourish in the new digital economy.

Principle: To develop an evolving and joined up pipeline for digital skills to meet the needs of businesses and citizens:

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- Inclusion / basic skills: Ensure everyone has basic digital capability to ensure no one is excluded from opportunities because of a lack of skills and can operate in a digital society.
- General skills: Look at opportunities for improving outcomes for those who have basic digital skills, but lack the confidence and knowledge to make the most of the digital economy, whether at work or beyond.
- Advanced skills: Ensure LCR develops, attracts and retains the talent needed for higher skilled roles (E.g. coding).

The digital service sector to enable the rest

Ambition:

To become the leading digital services City Region and the best place to start and grow a digital technology business

Principle:

To support our existing business base and grow the ecosystem of digital tech businesses across the City Region, building on existing strengths around Fintech, Data, Artificial Intelligence and Cyber Security.



World class digital infrastructure

Ambition:

To build on existing strengths to further develop a globally competitive digital infrastructure delivered through public, private and community activity.

Principle:

4 The development of the essential underlying enabling infrastructure across the City Region stimulated by activities to upskill business, employees and citizens to exploit and maximise impact, creating an environment which encourages further investment in infrastructure, from businesses and inward investors.



Tech for good

Ambition:

Leeds City Region, open for innovation, globally relevant and proactively embracing and exploiting technology and data to improve peoples lives.

4 Principles:

We will adopt a people first approach to ' smart city thinking', continuing to develop our approach as a City Region which proactively embraces and exploits technology and data effectively and intelligently to improve outcomes for all citizens across LCR.

To create the culture in which we actively embrace new technologies and use data to solve our biggest problems and create new economic opportunities.

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Report to: Leeds City Region Enterprise Business Investment and Growth Panel

Date: 27 November 2018

Subject: Trade and Investment

Director(s): Sue Cooke, Executive Head of Economic Services

Author(s): David Shepherd, Head of Trade and Investment

Purpose of this report

- 1.1 To update the Business Investment and Growth (BIG) Panel on the work of the Trade and Investment team in partnership with local authorities and to seek input on forward priorities.

2. Information

Sector and International Business Development Activity

- 2.1 Showcasing Leeds City Region as an investment destination is a key function of the LEP. Delivering the region's key messages globally on a sector and place perspective is important in attracting new inward investment and building on the City Region's growing reputation as a place to do business. This includes a series of high profile overseas visits and targeted exhibitions in support of the LEP's priority sectors and markets.

China and Hong Kong

- 2.2 In September 2018, the Leeds City Region undertook an outbound mission to China and Hong Kong. The delegation was led by Cllr Judith Blake, Leader of Leeds City Council, Cllr Pandor, Leader of Kirklees Council, Steve Hartley, Strategic Director - Place for Bradford Council, and Ben Still, Chief Executive of Leeds City Region Enterprise Partnership. The visit showcased the strengths of the Leeds City Region in partnership with key representatives from our leading universities and businesses.
- 2.3 The delegation visit focused on three locations: Hangzhou, Qingdao and Hong Kong. There are strong existing links between these cities and parts of the City Region, including major investments from businesses headquartered in these Chinese cities and increasingly strong civic and business links.
- 2.4 Over the duration of the eight day programme of activity in China and Hong Kong 26 events were held – including four business roundtables and numerous one-to-one meetings with influential intermediaries, potential investors and government organisations. In total, the delegation met with over 100 key business and government contacts and signed four Memoranda of Understanding (MOU) with CCP47 Qingdao, CBIIP, Hangzhou Government and the Qingdao West Coast New Area.

- 2.5 It is expected that the benefits of the visit will include an increase in bilateral trade and inward investment opportunities.

MIPIM UK

- 2.6 Leeds City Region participated in the 5th annual MIPIM UK event in London. The Leeds City Region stand profiled key property and infrastructure opportunities and hosted drop in sessions and meetings with local partners. A delegation of Chinese investors was welcomed and briefed on the key investment opportunities.
- 2.7 This year, Leeds City Region increased its prominence on the main programme with a number of LEP and local authority colleagues participating in 'thought leadership' based panel sessions over the two day event. Prominent private sector ambassadors also participated including Reed Smith (a recent investor in the legal sector) and Get Living which are bringing forward major residential opportunities at Leeds South Bank.
- 2.8 A successful networking session was held attracting over 50 invited guests featuring a panel discussion on the economy, foreign investment trends and Brexit by led by Mark Gregory, Chief Economist at EY, Roger Marsh OBE and Cllr Susan Hinchcliffe.
- 2.9 Key meetings were held with new and existing investors. Sir Ed Lister and senior Homes England representatives met with local authorities and housing developers on the Leeds City Region stand. Local authority partners in attendance held a series of meetings on the stand with developers showing interest in opportunities across the region. Wakefield Council also hosted a complementary event alongside the main programme for over 40 potential investors which was well received. Feedback is now being gathered from partners on the effectiveness of the MIPIM UK event.

InnoTrans

- 2.10 Working in partnership with the Department for International Trade, Leeds City Region was part of a UK pavilion at InnoTrans, Berlin in September 2018. InnoTrans is the largest rail sector event globally and was attended by over 140,000 delegates and 3,000 exhibitors.
- 2.11 The LEP's Trade and Investment team showcased the region's strengths and growing investment opportunity in the rail sector and was supported by the Universities of Leeds and Huddersfield.
- 2.12 During this show engagement was secured with a major rail manufacturer surrounding the potential for them to locate a new UK design centre in Leeds City Region. The show was used to further dialogue with some of the Chinese organisations met with earlier in the month and as a result a list has been developed of potential technology and funding providers who are interested in the plans for the future Leeds City Region mass transit system.

Upcoming planned activities

SMART City Expo World Congress November 2018 – Barcelona

- Bradford, York and Leeds have agreed to attend
- This event was used to showcase our region's smart cities capabilities and ambitions, including projects that demonstrate how the Leeds City Region is embracing Smart City technology

Valve World Expo November 2018 - Dusseldorf

- International valve trade fair, which presents an excellent opportunity for the LEP to provide practical support for businesses in the Leeds City Region to showcase their products to overseas buyers

Leeds City region showcase at Arab Health January 2019 – Dubai

- This is the next stage in our business plan to support the medical and life sciences sector in the region to maximise the opportunities in the growing healthcare market in the Gulf States and on a wider international basis.
- Largest gathering of healthcare and trade professionals in the Middle East and North Africa (MENA) region
- The LEP attended Arab Health in 2018 as part of a UK delegation including local MedTech businesses and made over 100 contacts on the Leeds City Region stand
- The LEP is working again with Medilink to form a stronger City Region presence

Investor Development

- 2.13 In partnership with the Department for International Trade (DIT) the LEP secured funding for the period April 2018 to March 2019 to carry out investor development activity with specific foreign owned companies that currently do not have an established relationship with Government.
- 2.14 Working with foreign owned businesses enables the LEP and partner local authorities to secure increased volumes of investment and jobs whilst gathering vital intelligence to help shape future economic strategies and approaches.
- 2.15 In the first six months of activity (May-October 2018) the team has:
- Identified 105 foreign owned companies in the City Region to engage with against a target of 100 -120.
 - Held over 40 investor development meetings.
 - Generated 26 Foreign Direct Investment (FDI) projects/prospects. Examples of FDI projects include:
 - Swiss manufacturer investing in new machinery to improve resource efficiencies and create additional jobs.
 - French manufacturing business seeking to expand footprint in the city region.
 - Automotive supply chain company exploring options to increase production capacity in the city region.
 - Indian IT company increasing software engineering workforce.

- 2.16 Companies are sharing business insights with the team, which will help inform LEP policy. These include:
- Brexit: views are varied across sectors. Companies are keen to see clarity as soon as possible on the UK's future trading relationship.
 - Exporting: businesses are keen to understand what support DIT can provide in exploring new markets. The LEP is providing direct referrals to International Trade Advisers at DIT.
 - Skills: topics discussed include recruitment and succession planning.
- 2.17 Looking ahead the LEP is now seeking to secure future funding to retain the team of key account managers beyond March 2019 from DIT.

Trade

- 2.18 In the year to June 2018, the value of UK trade in goods exports increased by 5.4%. There was an increase in annual export value for seven English regions with Yorkshire & the Humber showing an increase of 8.4%.
- 2.19 The total number of businesses exporting from the UK increased by 2.2% between Q2 2017 and Q2 2018. The number of businesses in Yorkshire & the Humber, however, grew by only 0.2% over the same period.
- 2.20 The British Chambers of Commerce Quarterly Economic Survey for Q3 2018 shows that 19% of manufacturers reported improved export sales in Q3 2018, down from +24% in Q2 2018 with 14% of service firms reporting improved export sales in Q3 2018, down from +15% in Q2 2018. Both indicators are reported to be at their lowest level since Q4 2016.
- 2.21 The EEF/BDO Manufacturing Outlook for Q3 2018, however, shows that manufacturers are benefitting from improving demand from a number of overseas markets, with Europe remaining at the forefront. Export orders are reported to be higher than domestic orders offering an advantage to those businesses trading outside of the UK. Growth is seen to be coming from both European markets and North America, the latter particularly in mechanical equipment and electronics. Expectations for the next three months remain positive.
- 2.22 Key LEP activities to promote trade during this quarter have included:
- The trade and investment delegation to China and Hong Kong which has initiated a number of trade related follow-up actions (see above). The LEP is now considering further initiatives with the CCPIT and three global e-commerce platforms. The LEP is also considering potential involvement in the Business of Design Week which takes place in Hong Kong during December 2019 and was recently launched by UK Government.
 - The first three events in the series of 'Doing Business in Europe' events have covered the topics of HR & employment, contracts and legal issues and IT and ecommerce. These are a joint initiative with Enterprise Europe Network, DIT and have had expert input from Squire Patton Boggs, Walker Morris and Freeman Clarke. Two further "Doing Business in Europe" export events are scheduled for November & December.

- 2.23 Feedback from the above workshop attendees has been very positive commenting that the presentations were of a very high quality and extremely useful. Content from the workshops will be made available on the LEP website in the form of practical checklists. This will help reach a wider audience.

Inward Investment Activities and Performance

- 2.24 There have been seven new inward investment successes since the last report in September.
- Dahua: 10 new jobs. A Chinese owned base for Dahua's video surveillance operations
 - UST Global: 50 new jobs. A USA owned digital company opening its first digital technology hub in the UK for the digital solutions and service provider
 - Overlap Associates: 15 jobs. A Canadian business which has established UK offices
 - Thin Cl: 14 jobs. A USA (Silicon Valley) owned firm entering the UK through acquisition of talent
 - Pharmerit International: 8 jobs. A Dutch company specialising in health economic consultancy projects for Drug and Medical Device companies worldwide
 - Channel 4: 300 jobs. Major national broadcaster locating second HQ in the region as well as a major new Channel 4 News hub.
 - Gama Healthcare: 27 jobs, 8 safeguarded. UK company working on antimicrobial solutions. Expansion project to create a new R&D facility.
- 2.25 A decision by Channel 4 on the location of its National HQ operation was announced on 31 October and Leeds City Region successfully secured the National HQ (please see appendix 1 for PR and press images). This achievement follows a long period of bid development working with a strong partnership of public and private sector organisations, including fantastic support from the region's creative, digital and screen industries. The win has generated high levels of media attention and will be a catalyst for attracting more interest from within and outside the region, especially in attracting more companies to relocate and grow here.
- 2.26 The Trade and Investment team has worked to provide a strong value proposition to Talgo, the Spanish rail rolling stock manufacturer bidding for the HS2 rolling stock manufacture contract. Unfortunately, the Leeds site was not shortlisted for inclusion within Talgo's final tender submission.
- 2.27 During November, the LEP will host two overseas delegations in partnership with the Department of International Trade, local businesses and education partners:
- Nordics Fintech Mission in partnership with Fintech North. The delegation will participate in Fintech North's Northern Powerhouse programme which will include a visit to Leeds. There will be opportunity to present the business case for investment by fintechs in the Leeds City Region.

- Canadian Tech Businesses Northern Powerhouse Mission
The participants on the delegation each work for Canadian tech businesses which have plans to invest in the UK in the next 1-2 years. The LEP is coordinating a programme to highlight the strengths of the digital tech sector which will include participation by SkyBet, University of Leeds and recent Canadian investors.
- 2.28 These opportunities will be used to promote the Digital Inward Investment Fund, known as #Welcome, which will also be able to support digital and TV production firms moving to Leeds City Region to take advantage of content commissioning opportunities from Channel 4.

Planning for 2019/2020

- 2.29 Combined Authority business planning for next year is in progress including the LEP's trade and inward investment priorities. The key topics of consideration for the Trade and Investment plan include:
- To develop new approaches to increase the level of inward investment interest beyond the core city of Leeds to broaden the impact and increase the benefit to the other districts, working in partnership with local authorities. This will require a consideration of how to balance market interest with rebalancing objectives, as well as opportunities to attract Government relocations and other specialist niches which play to district strengths.
 - To increase the amount of FDI from indigenous firms, through effective investor development by our newly established key account management team, in particular to support companies to secure and win additional local investment post-Brexit.
 - To increase the focus of our international trade work by helping companies exploit post-Brexit export opportunities, in particular to develop stronger links with key emerging markets in particular China and India.
- 2.30 Comments are particularly welcomed from the BIG Panel Board on these and any other priorities to be considered as part of the Trade and Investment plans for 2019/2020.
- 2.31 The LEP/Combined Authority business planning work is considering how to deploy the available resources to deliver the above priorities, once agreed. There is a budget working group on which the LEP Chair sits and a desire to strengthen the focus on key export markets given Brexit, and so consider how to resource this and what activities elsewhere might need to be reduced.

3. Financial Implications

- 3.1 There are no financial implications directly arising from this report. The budget for the Trade and Investment work programme is determined as part of the Combined Authority budget setting process at its forthcoming meetings which conclude in February.

4. Legal Implications

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

5. Staffing Implications

- 5.1 There are no staffing implications directly arising from this report, however there may be revisions to staffing needed to respond to the forward plans once finalised.

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 That the BIG Panel notes the report and welcomes the collective achievement in securing the Channel 4 National HQ.
- 7.2 That the BIG Panel comments on the trade and investment priorities flagged for 2019/20 including a greater focus on developing emerging markets in China and India.

8. Background Documents

None.

9. Appendices

Appendix 1 - Leeds City Region Trade Analysis (2015) - Report by MDS Transmodal

Appendix 2 - Channel 4 PR and Press images

APPENDIX 1

Leeds City Region Trade Analysis (2015) - Report by MDS Transmodal

Background

- MDS Transmodal were commissioned to look at trade activity in Leeds City Region;
- Official data from HMRC is only available at regional (Yorkshire & Humber) level. Official LEP-level data is unavailable, so this is the first independent assessment of trade activity in Leeds City Region;
- The report looked at trade in goods, not services, and estimates the value of Leeds City Region trade by destination country and commodity (SITC code);
- Estimates for Leeds City Region trade are based on 2015 data from:
 - HMRC Regional Trade Statistics (tonnes and value);
 - Lists of Importers' and Exporters' names (HMRC);
 - The Valuation Office Agency (VOA) database of land values
- The findings are summarised below to help inform planning for trade priorities in 19/20, in particular to highlight potential areas to develop post BREXIT.

Key Findings

Volume of Export of Goods

- Leeds City Region exported an estimated **£9.75bn worth of goods** in 2015, amounting to 2.8 million tonnes;
- Leeds City Region accounted for **67%** of Yorkshire & Humber goods exports by value, and **54%** by volume in 2015;
- The City Region imported goods worth £14.35bn, resulting in a trade balance of approximately **1.48:1 by value** in favour of imports;
- The trade balance is broadly in line with the UK figures of 1.44:1 by value and lower than the City Region balance **by volume of 2.6:1** reflecting the value added by manufacturing firms in the City Region;
- **Medicinal and pharmaceutical products** are the most important export commodity sub-group by value at £2.56bn in 2015;
- **Medicinal & pharmaceutical products, organic chemicals and general industrial machinery and equipment** were the **top 3 commodity sub-groups** accounting for **44%** of the City Region's total exports in 2015

- The **top 10 commodity sub-groups** account for **72%** of total export value in 2015;

Leeds City Region Top 10 exports by commodity sub-groups, 2015

Commodity sub-group	Exports by value (£ billion)
54: Medicinal & pharmaceutical products	2.56
51: Organic chemicals	0.87
74: General industrial machinery & equipment	0.84
67: Iron & steel	0.65
77: Electrical machinery, apparatus & appliances	0.49
84: Articles of apparel & clothing accessories	0.36
65: Textile yard, fabrics, made up articles	0.34
69: Manufactures of metal	0.32
78: Road vehicles	0.31
72: Machinery specialised for particular industries	0.28
Other	2.73
Total	9.75

Source: MDS Transmodal, based on HMRC Regional Trade Statistics

Trade at District Level

- The largest contributors to the **value of exports** at a district level are Leeds (£4.1bn), Bradford (£1.6bn), Kirklees (£1.3bn) & Wakefield (£1.3bn). The greatest **value of imports** relate to businesses in Leeds, Bradford, Harrogate, Wakefield & Kirklees.
- The largest **volume of exports** are generated by businesses in Leeds and Bradford, whilst the largest **volume of imports** relate to businesses in Leeds, Bradford & Barnsley.
- Exports by value are broadly in line with district level GVA. By volume however, levels in Barnsley and Bradford are relatively high and York low. Reflective of the value and volume mix of goods. This suggests Barnsley & Bradford are trading in relatively low value goods per tonne and York is trading in relatively high value per tonne.

Exporters

- In 2015/16, there were 638 **major exporting businesses** (to non-EU markets) in Leeds City Region, 60% of the Yorkshire & Humber total.

Key Commodities

- The Leeds City Region has 15 key *(which are particularly significant in terms of their contribution to the City Region's export sector in percentage terms compared to the Yorkshire and Humber region, the rest of the North and the UK as a whole)* export commodity sub groups which are significant contributors to the **value of export** trade in 2015. Nine are key in terms of both value & volume.

Commodity	LCR Export Value (£m)	Key export by value	Key export by volume
54: Medicinal & pharmaceutical products	2,458	Yes	Yes
51: Organic chemicals	874	Yes	Yes
74: General industrial machinery & equipment	841	Yes	Yes
77: Electrical machinery, app, parts	448	Yes	Yes
89: Miscellaneous manufactured articles n.e.s.	380	No	Yes
84: Articles of apparel & clothing accessories	357	Yes	No
65: Textile yarn, fabrics, made up articles etc	336	Yes	Yes
59: Chemical materials & products	226	No	Yes
26: Textile fibres not manufactured & their waste	202	Yes	Yes
62: Rubber manufactures n.e.s.	76	Yes	No
09: Miscellaneous edible products & preparations	69	No	Yes
82: Furniture & parts thereof; bedding, mattresses etc	62	No	Yes
29: Crude animal & vegetable materials	51	Yes	Yes
21: Hides, skins & furskins, raw	48	Yes	Yes
61: Leather, leather manufactures	18	Yes	Yes

Key Markets

- In general terms, the Leeds City Region is more likely to be exporting to European markets (particularly to North West Europe, rather than to Italy and Iberia) and to the USA, rather than to markets in the Far East and South America;
- 21%** of the city region's exports relates to **extra-EU trade**.
- Comparing the top 10 markets for the City Region with the top 10 export markets worldwide suggests potential opportunities may exist for key commodities in:
 - Canada
 - China
 - Hong Kong
 - Japan
 - Mexico

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APPENDIX 2

Channel 4 PR and Press images







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Report to: Business Innovation and Growth Panel

Date: 27 November 2018

Subject: **Business Support**

Director(s): Sue Cooke, Executive Head of Economic Services

Author(s): Henry Rigg

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.

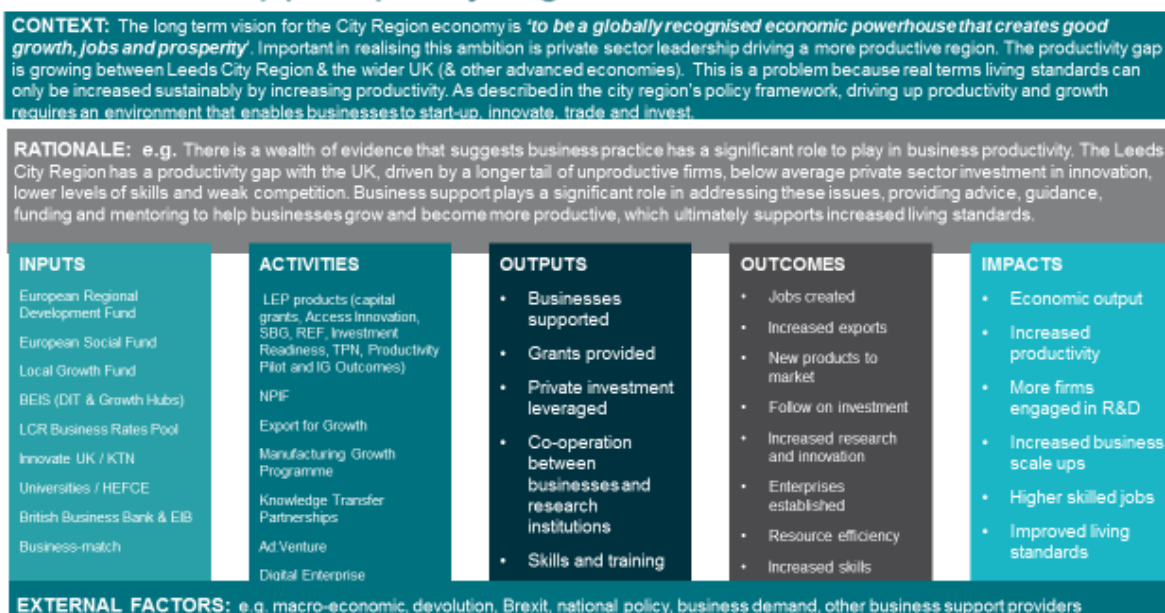
2 Information

Business Support Context and Strategy

- 2.1 The support provided to businesses via the LEP's products and services is complemented by a wide range of others available to City Region firms and delivered by local, regional and national partners. This includes export support from the Department for International Trade and the Chambers of Commerce, innovation support from universities, Innovate UK and the wider Knowledge Transfer Network, and finance from the Northern Powerhouse Investment Fund and the Start-Up Loans Company. The private sector also plays a critical function within the support ecosystem, particularly banks and other funders/investors, and providers of professional advice and support.
- 2.2 The figure below sets out a logic model for the City Region's business support eco-system and interventions as part of the policy framework for the emerging local industrial strategy.

Figure 1 : Business Support Policy Logic Model

Business support policy logic model



LEP Growth Service

- 2.3 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

- 2.4 Table 1 below highlights progress against the headline targets for the service in 2018/19. **Appendix 1** provides more detailed information on the scope, scale and impact of the service.

Table 1: Performance against headline targets 2018-19.

Target Measure	Target	Achieved Oct 2018
SMEs supported - light-touch & intensive (such as attendance at events, sign-ups to the LEP eNewsletter, referrals to other products/services)	2750	1668
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	562

Intensive support to SMEs (including support from Growth Managers, and the LEP's core business support products)	900	762
Delivery of Business Advice Pop Up events (with 7 in the 20% most deprived parts of the country)	12	8 (3 in 20% most deprived)
Proportion of businesses supported likely to recommend it	85%	86% (April 18 – Oct 18)
Service Expenditure	£600,500	£260,755.42

- 2.5 The Service has recently celebrated a key milestone, having supported over 10,000 businesses since its launch in July 2015, and remains on track to meet its annual target of supporting 2750 businesses. Over 1660 individual SMEs have received support since 1 April 2018, of which 562 have been intensively supported by the team of SME Growth Managers. 762 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.

Service developments

- 2.6 SME Growth Manager meetings are held every month as a means by which to support the professional development of the Growth Managers and the Gateway team, whilst building strong working links with key partners. Guest presentations over the last quarter were delivered by the Department for Work and Pensions, the Skills Service, the Northern Powerhouse Investment Fund and from RTC North as part of the new Access Innovation masterclasses to further strengthen the appetite and capacity for SME innovation activities.
- 2.7 A key recommendation from the formal evaluation of the service, which took place in April 2018, was to invest in the skills and expertise of the SME Growth Managers. In addition to holding the monthly Growth Manager meetings, the service is now exploring more formal training options, including the use of social media to help connect with businesses and maximise networking opportunities, Intellectual Property masterclasses and SFEDI (Small Firms Enterprise Development Initiative) accreditation.
- 2.8 The team delivered its seventh Leeds City Region SME Support Network on 27 September 2018 in Bradford. The events take place on a bi-annual basis and provide a structured networking opportunity for business support professionals working across publically-funded projects available in the City Region. The recent event focussed on the support available to manufacturing businesses in the City Region. It included the launch of the University of Huddersfield's new supply chain programme and further promotion of the LEP's Productivity Pilot. The work of the recently established Office of the Small Business Commissioner was also showcased at the event, which focusses on fair payment practices and helping small businesses to resolve any payment disputes with larger organisations.

- 2.9 Work has also taken place this quarter to build and strengthen the private sector intermediary network. Initial positive meetings have been held with Deloitte, and further meetings have been scheduled with a number of accountancy firms and banks in the remainder of 2018. The next meeting of the Leeds City Region Professionals' Perspective network for business intermediaries (banks, accountancy and legal practices) will take place on 29 November 2018. It will also feature a presentation from the Office of the Small Business Commissioner and provide an opportunity to discuss current issues and opportunities facing businesses in the City Region.
- 2.10 The service continues to support the Northern Powerhouse Growth Hub Network and the Better Business for All (BBFA) Regional Group. Following on from the regional BBFA meeting held on 19 September 2018, work is now taking place to re-engage environmental health teams within the West Yorkshire local authorities in an attempt to reform the West Yorkshire regulators group. The Service will also host the next regional meeting in January 2019.

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 help to raise the profile of the LEP and its partners, particularly at district level and across all business sectors. The focus this quarter has been the development of two video case studies for the Resource Efficiency Fund, Leeds-based packaging firm, Greyhound Box, and Calderdale dye-manufacturer, Azo. These are now live on the LEP website and a full range of case studies can be found via <http://www.the-lep.com/case-studies/>.
- 2.13 To help build brand-awareness and stimulate the appetite for business support, E-marketing is also used with more targeted content and social media activity. The SME eNewsletter is distributed to over 12,000 business contacts across the City Region on a quarterly basis. Featured content over the last quarter included promotion of the Pop Up cafés, Travel Plan Network expo, York Business Week, REF case studies and further information about the apprenticeship grant for employees (AGE), all of which can be found here <https://mail-the-lep.com/t/3LTT-FFI7-4782RMB83/cr.aspx>
- 2.14 Events continue to be an effective way for the service to promote the City Region's wide range of business support products and services. The last quarter, in particular, has seen both the Growth Manager and wider business support teams heavily engaged in supporting a range of events through a combination of guest speaker and/or exhibitor roles. Recent examples include:

- Kirklees Business Hub Live (20 September)
 - Wakefield Business Week (1-5 October)
 - Bradford Manufacturing Week (8-12 October)
 - Leeds Business Week (8-12 October)
 - Transport Systems Catapult Event (9 October)
 - Leeds Manufacturing Festival (10 October – 10 November)
 - York Business Week (13-16 November)
- 2.15 A month-long social media campaign - '#manufacturing growth' - also took place in October 2018 to further promote the projects, activities and initiatives in support of the manufacturing sector. It featured business case studies, news stories, details of the wider support available including export support, as well as a series of partner events that took place throughout the month. It also included a press release highlighting the support given to over 1600 manufacturers across the Leeds City Region by the Growth Service since it launched in July 2015 <http://www.the-lep.com/news-and-blog/accelerating-growth-in-leeds-city-region%E2%80%99s-%C2%A37-7bn/>
- 2.16 Additional press releases include the launch of the productivity pilot <http://www.the-lep.com/news-and-blog/new-fund-launched-to-help-tackle-the-productivity/>, and a celebration of the LEP's key milestone in supporting 10,000 businesses since the launch of the Growth Service in July 2015. Featured content about the business support available from the LEP, and its partners, is also continually updated on the Made in Yorkshire microsite.
- 2.17 The SME Growth Manager in the York district has recently delivered another four business masterclasses in partnership with representatives from the private sector. 47 delegates attended these sessions with key topics including: making tax digital, telemarketing and business development. The SME Growth Manager for Harrogate is currently leading the project development of the emerging digital incubator space in the district. This will help to engage with more businesses from the growing creative and digital sector in Harrogate.
- 2.18 The team has worked with the SME Growth Managers and local businesses to deliver eight Pop-up Business Support Café events since 1 April 2018. The latest was delivered in Hunslet on 25 September with two more scheduled to take place in Knottingley (29 November) and Huddersfield (13 December). 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 Oct 18)
Expenditure	£38.96m	Committed - £30.61m Actual - £25.57m
New Jobs Created	4,100	Committed – 5,077 + 1,693 safeguarded Actual – 3,242 + 1,682 safeguarded
Businesses Supported	No contractual target	Committed - 553 Actual – 474
Number of Grants Awarded	765	Committed - 648 Actual – 556
Public/ Private Sector Leverage	£168.5m	Committed - £321.9m Actual - £244.1m
Total Cost Per Job	No contractual target	Committed - £6,030 Actual - £7,887

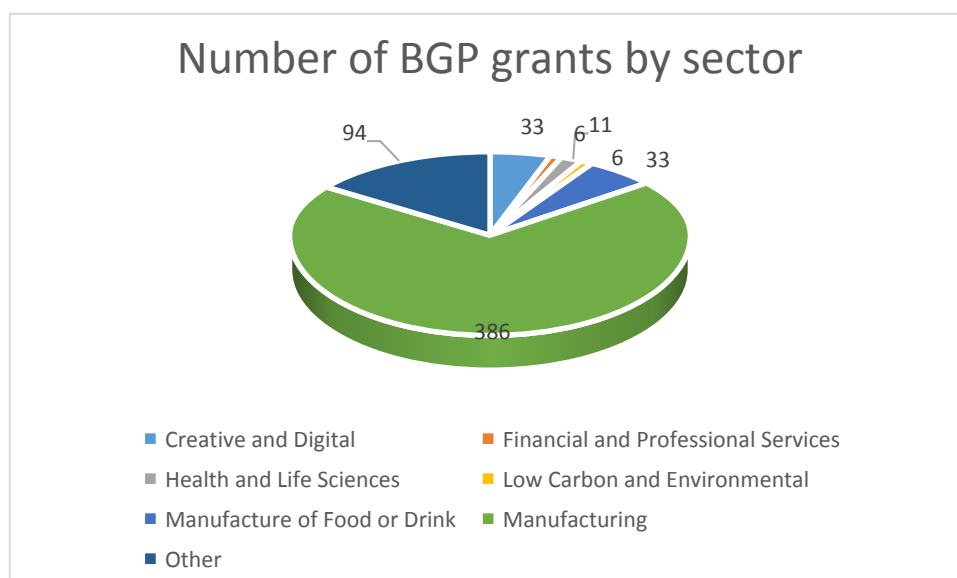
- 2.21 As the above table highlights, the programme is achieving a good return in terms of cost per new job at just under £8,000. This figure would be lower if the 1,682 actual safeguarded jobs were included in the overall calculation and would equate to £5,193 per job.
- 2.22 All grants awarded to businesses, 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.
- 2.23 The table below compares the proportion of SMEs per district within the City Region against the proportion of all grants awarded. It shows that West Yorkshire districts (particularly Calderdale and Kirklees) 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.

Table 3: Grant awards by district since April 2015

District	Share of BGP Grants	Share of the City Region Business Stock
Leeds	30.0%	26.8%
Kirklees	18.8%	13.5%
Bradford	16.3%	14.5%
Wakefield	9.8%	9.5%
Calderdale	11.3%	7.5%
Barnsley	6.5%	5.9%
Harrogate	3.9%	8.5%
Craven	1.8%	3.2%
York	1.4%	7.2%
Selby	0.5%	3.4%

- 2.24 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 68% 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



Inclusive Growth Commitments

- 2.25 The Inclusive Growth commitments, developed and endorsed by this Panel, went live on 31 July 2018 for new applicants to the BGP. Businesses that had

applications in the system prior to this date were given until the end of September 2018 to have their applications considered on the previous criteria.

- 2.26 A full review of the new approach will take place in February 2019, with findings reported to the Panel in March 2019. However, an early analysis of applications on the new criteria show that 87.5% of all contracted jobs from 26 grant-approvals are committed to paying the Real Living Wage or above. It also shows that the most popular additional commitments from those applicants awarded grants of over £50,000 are related to Sustainable Travel and Low Carbon.

Productivity Pilot

- 2.27 The Call for projects under the Productivity Pilot opened on 17 September 2018 and will 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.
- 2.28 There has been considerable interest to date in the pilot from businesses, with one application received and a further 10 in the pipeline. The pilot is continuing to be promoted in a targeted manner via the SME Growth Managers, by other business support products currently being delivered across the City Region and via several business networks and membership organisations, including the Engineering Employers' Federation, Chambers of Commerce and Made In Yorkshire. It was also promoted at the launch of the Leeds Manufacturing Festival in September 2018.

Resource Efficiency Fund

- 2.29 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. A follow-on project proposal is currently being developed in response to an ERDF Call, which opened on 5 October 2018.
- 2.30 As of October 2018, 473 businesses had engaged with the project, with 458 having received visits from the two REF Managers. These have resulted in 248 assessments being commissioned and the completion of 233 assessment reports, which is in line with the project's contractual targets.
- 2.31 109 grant applications have been approved, and payments totalling £592,403 having been made to 87 businesses. A third telemarketing campaign has started, and two video case studies have been completed and can be viewed at <http://www.the-lep.com/for-business/ref/>.

- 2.32 Projects approved since the last panel have been in the areas of basic heating, lighting, insulation and compressor investments. Total estimated carbon dioxide (CO₂) savings across all approved projects as of 30 September 2018 is 1,830 tonnes per annum, with estimated savings to the recipient-businesses of £462,036 per annum.

Access Innovation

- 2.33 Please see the report for Agenda Item 5 on Innovation Support Programmes, for an update on the Access Innovation programme.

Strategic Business Growth – support for SMEs with high growth potential

- 2.34 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, and identify collaboration opportunities.
- 2.35 Winning Pitch has recruited 68 business coaches with a diverse range of sector specialisms to work on the project. Ongoing analysis on the coaching support requested by SBG clients to date has identified the three most common areas where support is requested as: process improvement, growth strategy and marketing/sales respectively. 177 businesses are now fully engaged with the support available, including 146 that have developed detailed growth action plans with their allotted account managers. Of these, 108 have benefitted from a combined total of over 4,200 hours of further coaching support and 50 have attended on average two or three of the 29 workshops available. Examples of the most recently delivered workshops are; maximising Linked-In (one of the five full-day masterclass new to September 2018), attracting and retaining staff, and leadership. The support being provided has already led to the creation of 149 jobs and 15 new products.
- 2.36 As of October 2018, there had been 20 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 100 new jobs expected to be created as a result. The combined value of the 20 investment projects is over £1.8m, with the grants contributing £450,000. Of these, nine had completed their investments by the end of September 2018, providing over £750,000 of private sector match in the process.

Investment Readiness and Business Resilience

- 2.37 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 future-proofing. Further information on these projects is contained within the 'Preparing for Brexit – Business' report at Agenda Item 6.

Travel Plan Network

- 2.38 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.
- 2.39 A key focus of the team is to drive membership of the network. The aim is to encourage more employers and their employees, to adopt sustainable modes of travel as part of their commute and for business travel. The business travel advisors have been working closely with the wider business support function, undertaking joint visits and making cross referrals. This is proving fruitful as an additional 17 business have joined the network in the last quarter. A total of 58 new members have been recruited since 1 April 2018, meaning that the team is making good progress in meeting its current annual target of recruiting 80 new members. The total membership now stands at 413 businesses that employ almost 300,000 staff between them.
- 2.40 The team has been active in promoting a series of campaigns to their network members including Cycle September, European Mobility Week and Travel Wise Week (16-22 September), International Walk to school month (October) Liftshare Week (1-7 October) and Road Safety Week (19-25 November). Additionally, and in support of National stress awareness day on 7 November, the team also offered a number of free bus tickets as prizes to three network members (John Lewis, Anlaby and Bradford College) as part of an employee wellbeing initiative to enable a number of their employees to travel on buses for free.
- 2.41 Work is continuing on the development of shared travel plans at ten multi-occupied sites as part of a European-funded project. The purpose is to help business at shared sites adopt a collaborative approach to encourage modal shifts within the commuting patterns of their employees. The team has recently commissioned the delivery of a series of car park management sessions for these sites, as well as a consultant to deliver larger scale sustainable travel campaigns and events at three key sites (Kirkstall Forge and Thorpe Park in Leeds, and Calder Park in Wakefield. 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.
- 2.42 Following the success of the SHARE-North Travel Plan Expo in October 2017, the team delivered their second Expo on 21 November 2018. The Expo provided delegates with the opportunity to meet with a range of bus and rail operators, liftshare and car club providers, as well as organisations involved in

cycling and walking initiatives. Businesses had an opportunity to check that their employees were maximising their membership benefits, and were offered practical tips through a range of seminars and workshops on how to prepare for the challenges linked to air quality; how to embed sustainable travel into core business activity, and support to encourage cycling including bike maintenance. The event also saw Sustrans launch their first National Cycle Network review outside of London.

Northern Powerhouse Investment Fund

- 2.43 The Northern Powerhouse Investment Fund (NPIF) formally launched on 22 February 2017, and has since invested £12.5m of funding in 79 businesses in Leeds City Region. £1.69m has been invested in 41 businesses via the micro fund, £6.88m has been invested in 29 businesses via the debt fund, and £4m in 10 businesses via the equity fund.
- 2.44 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.
- 2.45 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.

8 Background Documents

None.

9 Appendices

Appendix 1 – LEP Growth Service Performance Update

Appendix 1 - Analysis of enquiries to the LEP Growth Service, 2018/19

1.0 Analysis of business enquiries 2018/19

- 1.1 Performance data continues to be monitored on a weekly, monthly and quarterly basis. The following information presents more detail on the performance of the service (gateway and SME Growth Managers) from April 2018 to date. It also provides comparisons to previous years in order to assess progress over time.
- 1.2 The service has a target of supporting 2700 individual businesses in 2018/19. In order to achieve this target, 675 businesses per quarter need to be supported. Since the start of April 18, 1668 individual SMEs (purple line below) have been supported resulting in 2177 interactions (blue line) overall. The trend of businesses accessing multiple business support products support has continued over an 18-month period, and signals a high level of confidence with the service, and the wider business support ecosystem.

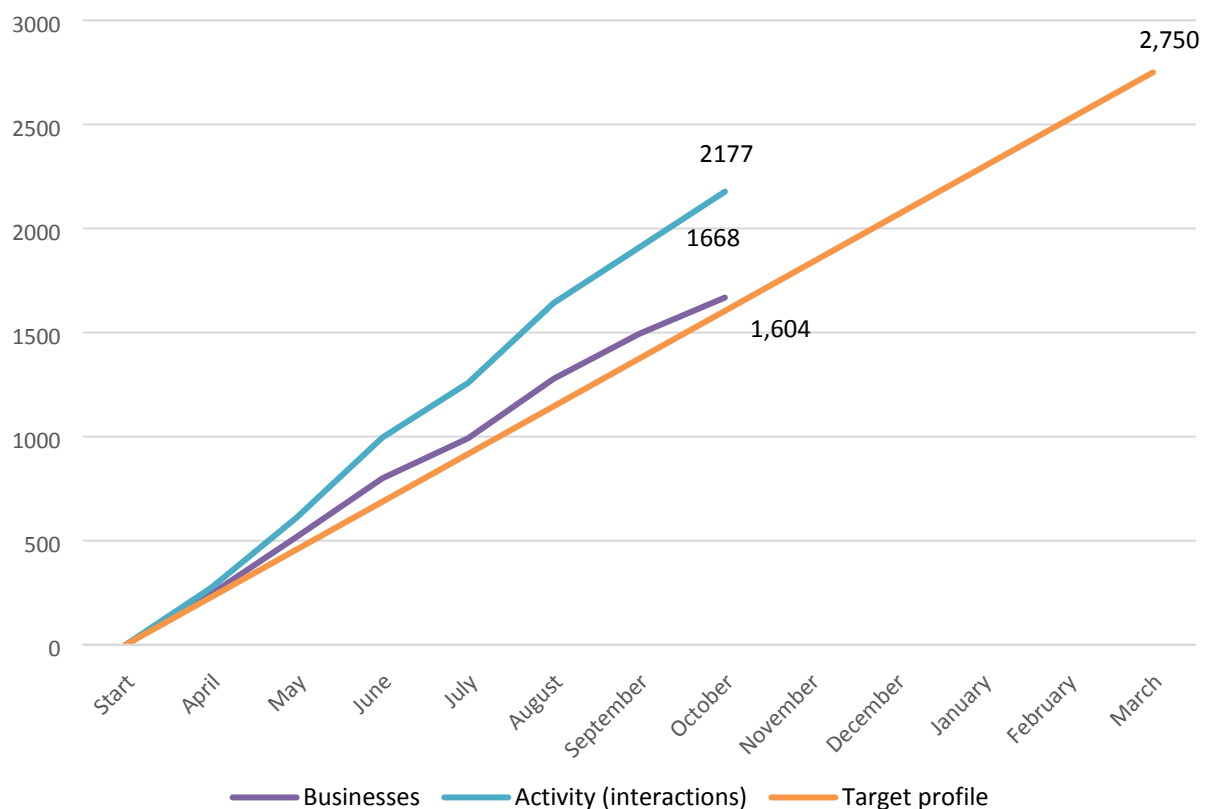


Figure 1: Projected and actual performance against the 2018/19 annual target (Apr 18 – Oct 18).

- 1.3 Light touch support (Level 1) and more intensive support (Level 2) enquiries represent the Service's target client group. In comparison to Q4 2017/18 the helpline saw a significant increase in the number of enquiries as new products

were launched. The number of enquiries has continued to grow in Q2 with a particular spike in activity in August 2018. This is partly due to targeted activity by the gateway team of businesses who indicated in their responses to the 2017 business survey that they were interested in business support.

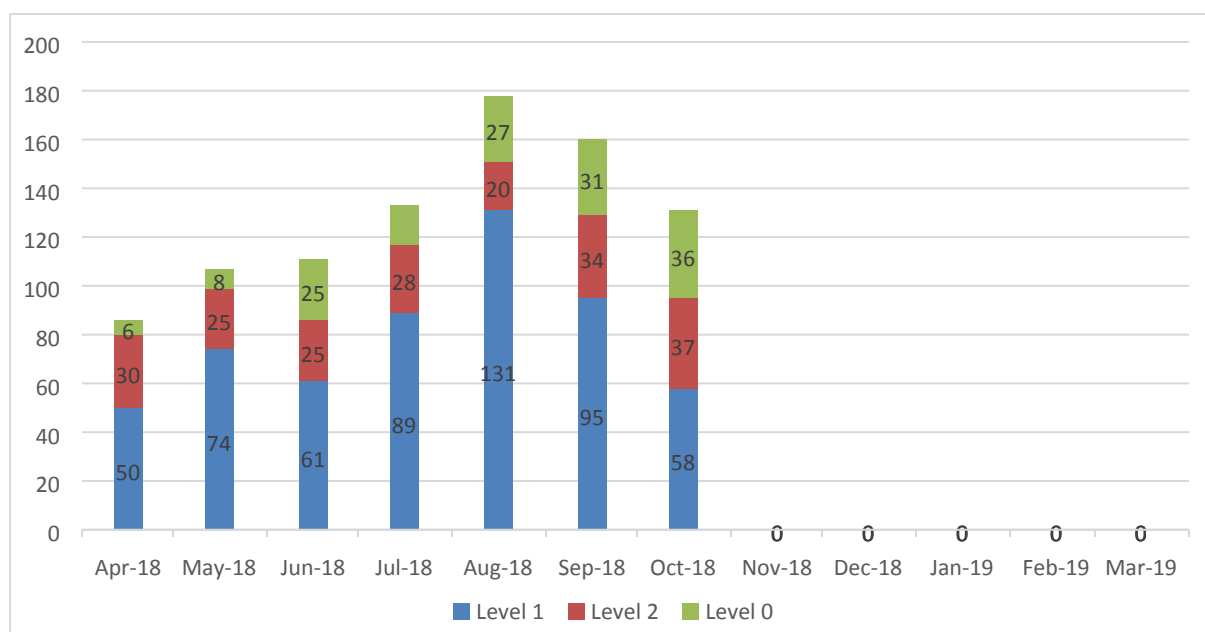


Figure 2: LEP Growth Service enquiries to the Gateway by client group (Apr 18 – Oct 18)

- 1.4 The table below shows the number of enquiries to the gateway from target clients (i.e. those with plans to grow, classified as Levels 1 and 2). It continues to show a decrease in enquiries from non-target clients, such as pre-start firms.

Table 1: Total enquiries into the gateway (July 15 – Oct 18)

Enquiry Type	Total July 15 – Mar 16	Total April 16 – Mar 17	Total April 17 to Mar 18	Total April 18 to Oct 18
Non Target Client Group	410	252	210	146
Light Touch Referral	427	911	933	558
In depth Intensive Referrals	235	390	375	199
Total Gateway Interactions	1072	1553	1518	906

- 1.5 There has been little change with regards to the most popular routes of enquiries from businesses accessing the service since its launch in July 2015. Although there have been minor fluctuations throughout the years, the most popular route continues to be via the telephone helpline (63%). This

percentage has increased by 14% since quarter four of last financial year, whilst the percentage of email enquiries has decreased.

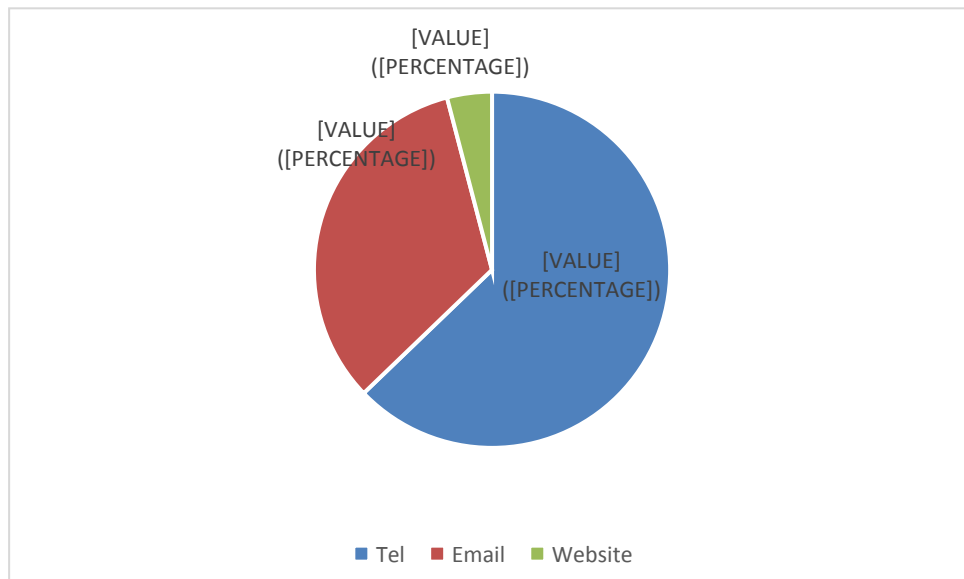
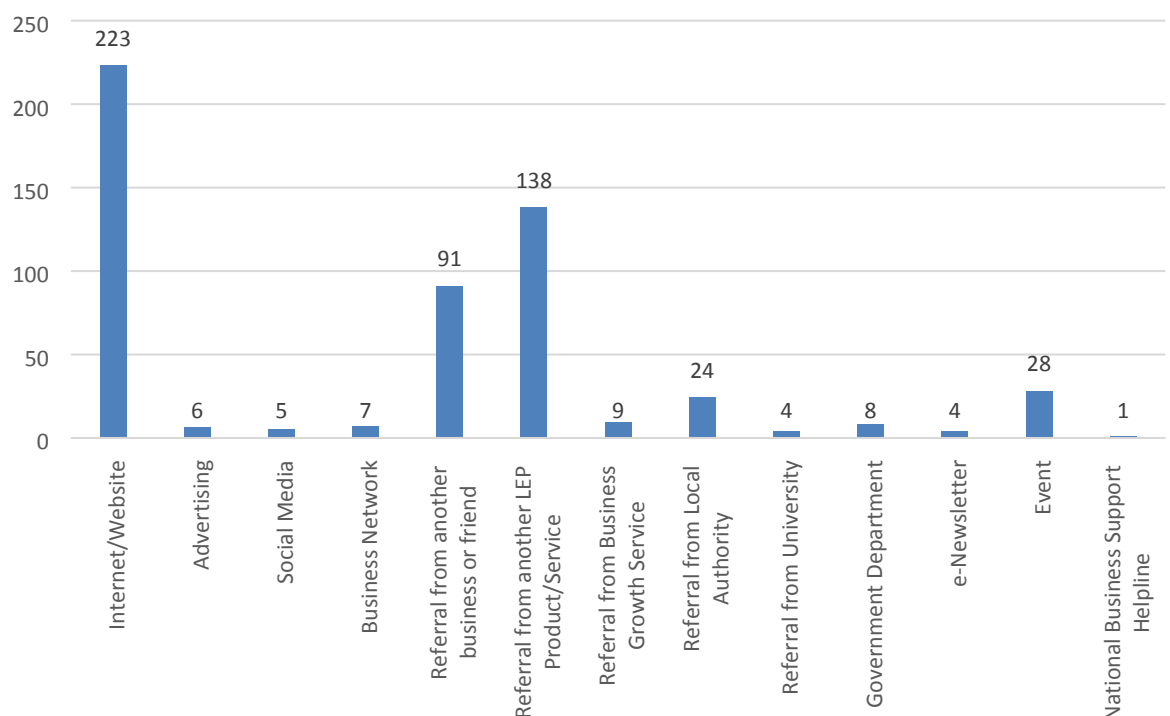


Figure 3: Gateway channels of enquiry (Apr 18 – Oct 18)

- 1.6 Every business contacting the gateway is asked how they have heard about the service. Internet searches is the most commonly cited response, remaining unchanged since this information was monitored. Encouragingly there has been a steady increase in the number of respondents stating 'events'



**Figure 4: How customers report hearing about the service
(Apr 18 – Oct 18)**

- 1.7 The Growth Managers are working towards an annual target of collectively account-managing 630 businesses. Since April 2018, they have supported 676 businesses, with 562 receiving ongoing intensive support. Table 2 below provides a breakdown of the number of clients supported by the managers in their districts.

Table 2: SME Growth Manager clients by district (Apr 18 – Oct 18)

SME Growth Manager	Total Clients	Intensively Supported
Bradford & Craven (x2 FTE)	134	133
Calderdale (x1 FTE)	63	53
Harrogate (x1 FTE)	50	40
Kirklees (x1.5 FTE)	77	70
Leeds (x2.5 FTE)	171	119
Wakefield (x1 FTE)	65	50
York (x1 FTE)	56	46
Selby (x0.5 FTE)	60	51
Total	676	562

- 1.8 Figure 5 shows the spread of enquiries to the gateway from across the city region compared to the percentage of the City Region's business stock per district. Leeds, Wakefield and Bradford continue to generate more enquiries than their proportion of overall business stock. The proportion from each district remains relatively similar to previous quarters, with a marginal increase in the number of enquiries from businesses in the Selby district.

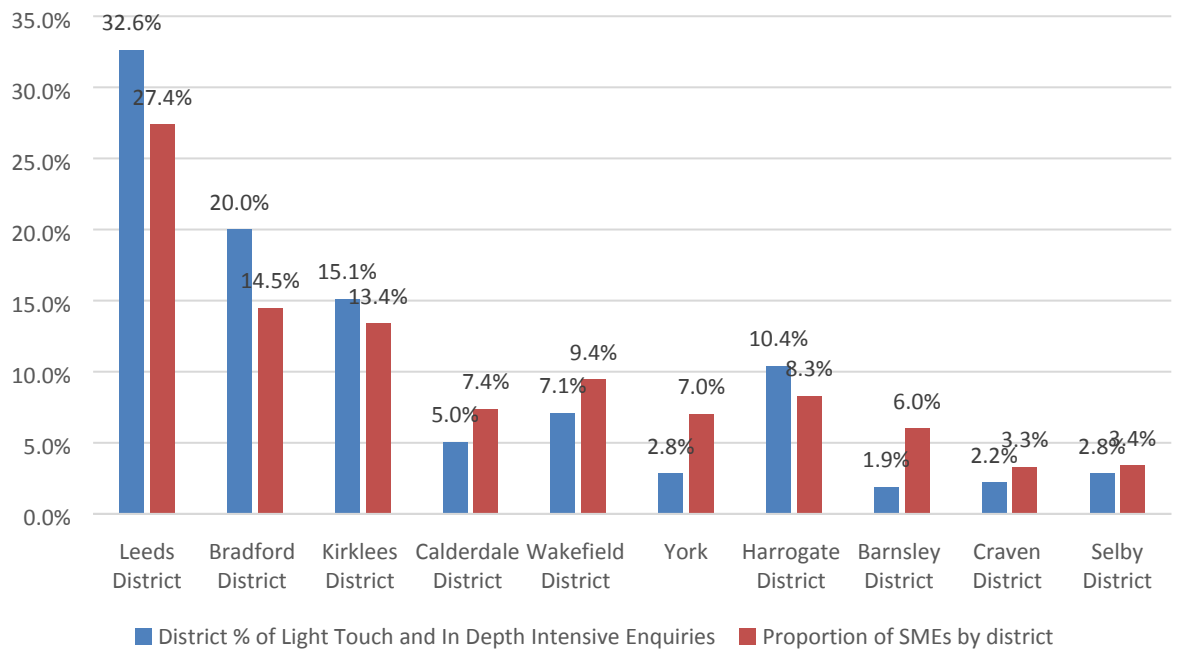


Figure 5: Enquiries compared to the district-proportion of total City Region business stock (Apr 18 – Oct 18)

- 1.9 'Access to Finance' continues to be the most popular topic for support for both gateway enquiries and the SME Growth Manager clients. 'Business Planning' and 'Skills/Recruitment' are the next most common topics for gateway enquiries, whereas 'Skills/Recruitment' and 'Premises' are the areas that most Growth Manager-clients want support with, after 'Access to Finance'.

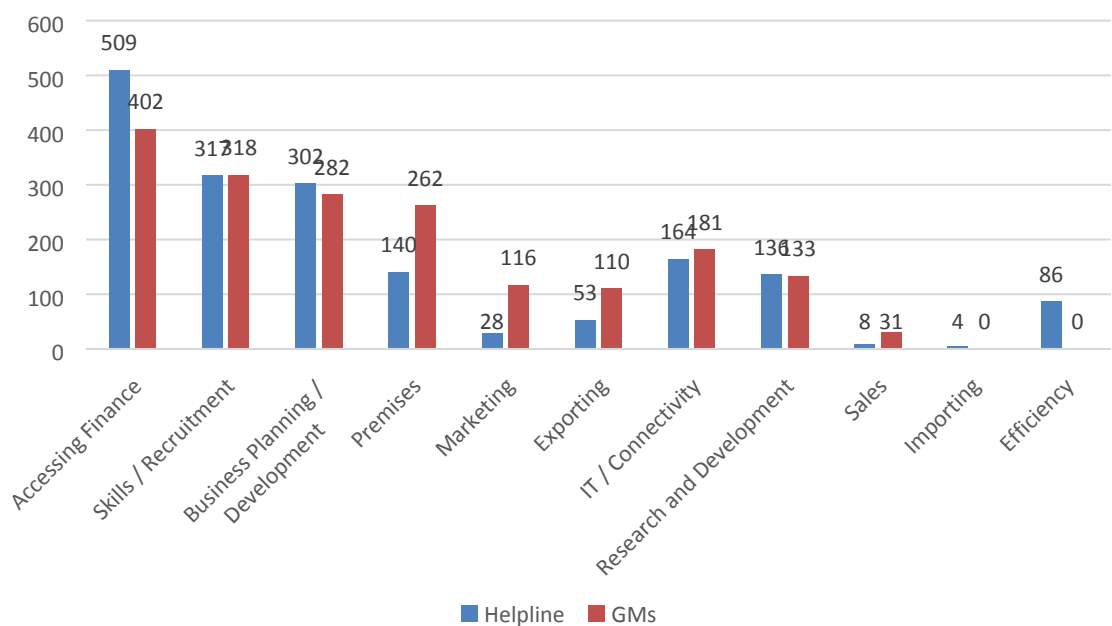


Figure 6: Topics for business support (Apr 18 – Oct 18)

- 1.10 Businesses from the manufacturing sector continue to provide the highest number of enquiries into the gateway. Similarly, it remains that the Growth Managers' clients are more likely to be in the LEP's priority sectors, particularly Advanced Manufacturing and Creative and Digital, than those firms that come directly through the gateway. This is attributable to the nature of the current support offer which lends itself to these two sectors, and the prominence of growing SMEs in the priority sectors across the city region's largest districts.

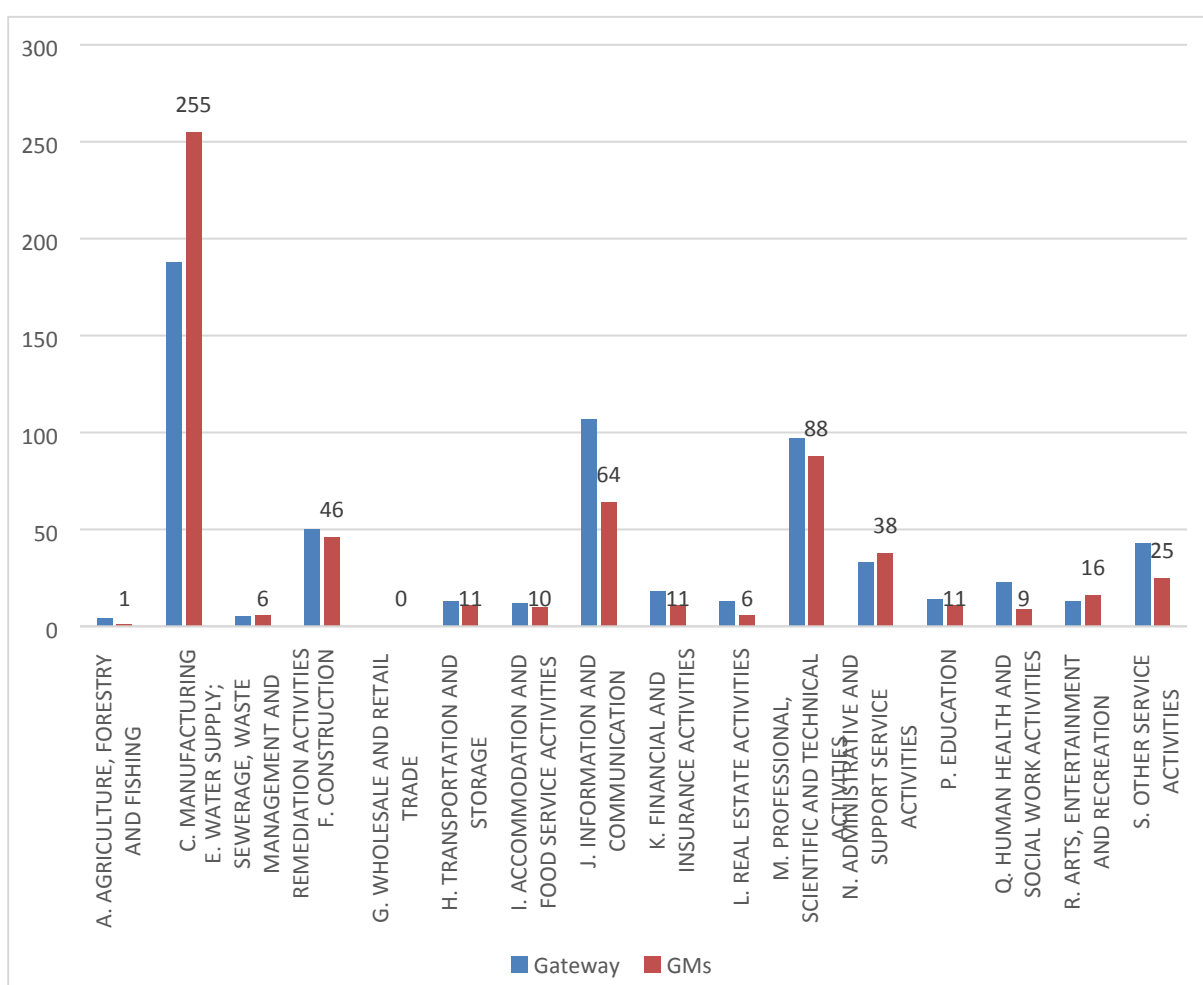


Figure 7: Percentage of Growth Service clients (Gateway and Growth Manager) by sector (Apr 18 – Oct 18)

- 1.11 Figure 8 below illustrates the breadth of referrals to business support products and organisations from both the gateway and Growth Managers. The highest number of referrals since April 2017 are to the LEP Capital Grants programme, Digital Enterprise programme, Resource Efficiency Fund, Skills Service, and Ad:Venture. There has been an increase in the number of referrals to Access Innovation as part of an ongoing campaign to promote innovation-related support by the service.

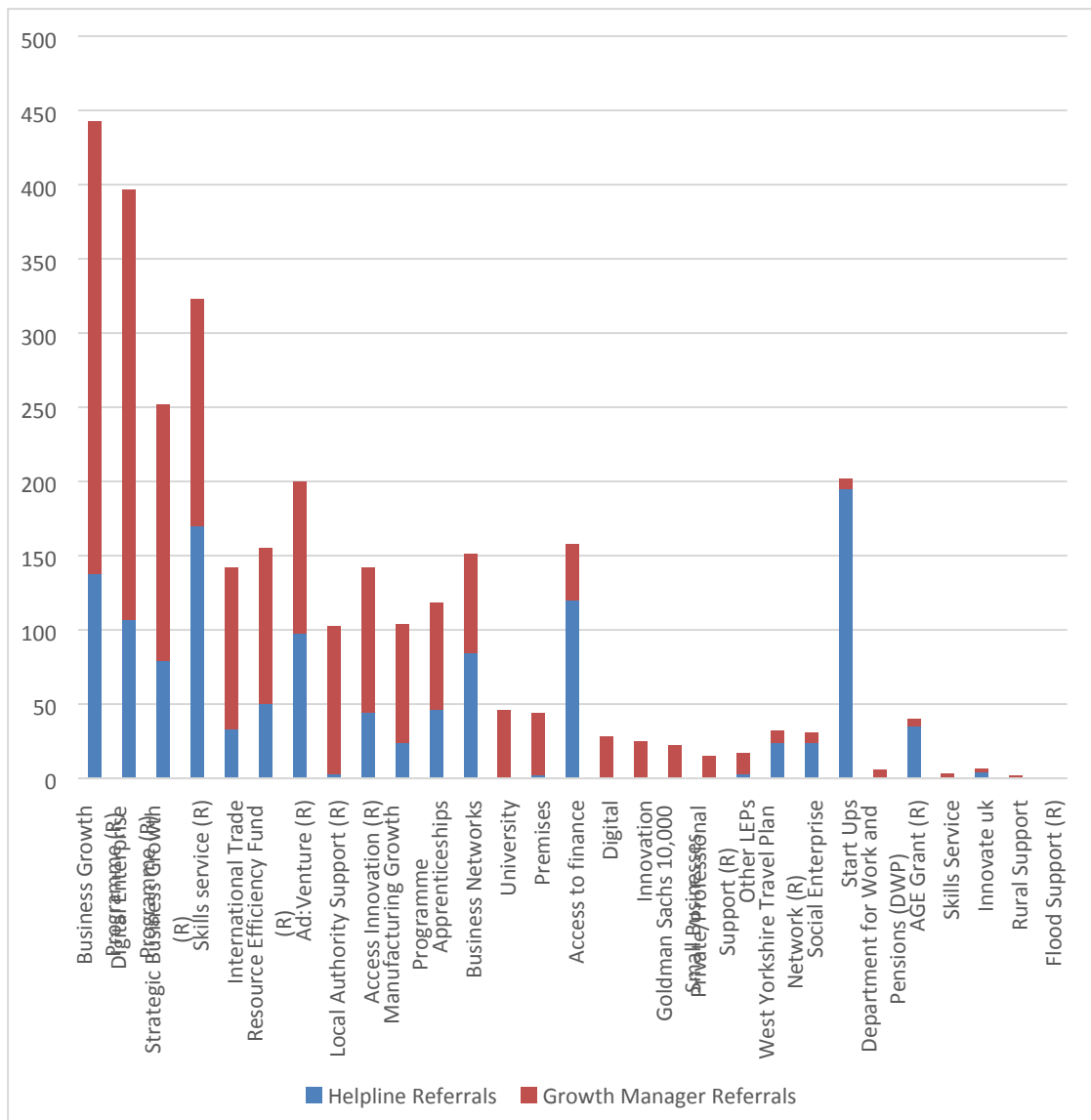


Figure 8: Number of business support referrals (Apr 18 – Oct 18)

- 1.12 Business networks continue to be a good source of clients for Growth Managers in Harrogate, Bradford and York in particular. Use of Social Media, including LinkedIn searches, have also been reported as effective engagement routes by several Growth Managers. This has been captured in the 'Other' category below.

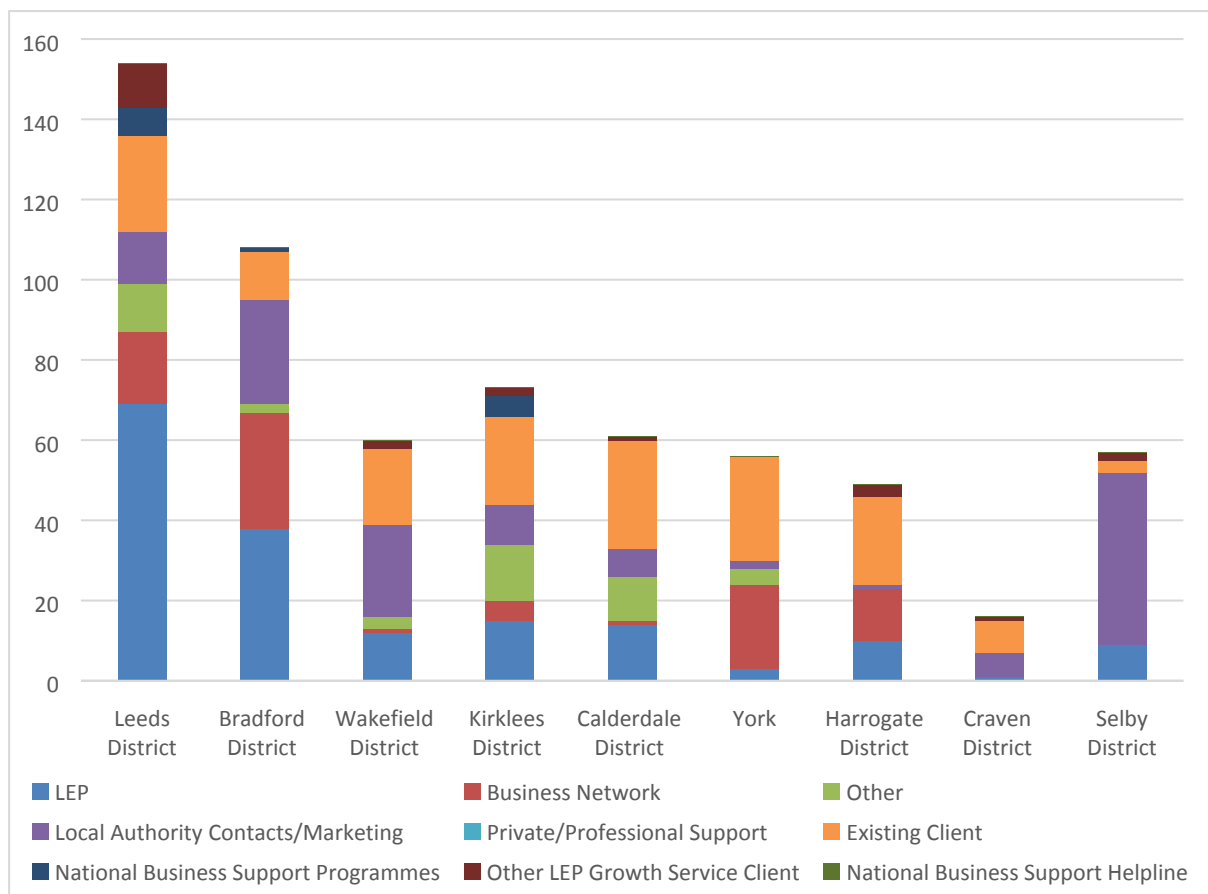


Figure 9: Source of Growth Managers' clients (Apr 18 - Oct 18)