

## **BUSINESS INNOVATION AND GROWTH PANEL**

**MEETING TO BE HELD AT 2.00 PM ON TUESDAY, 28 MAY 2019  
IN COMMITTEE ROOM A, WELLINGTON HOUSE, 40-50 WELLINGTON  
STREET, LEEDS**

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### **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 26 FEBRUARY**  
(Pages 1 - 4)
- 5. CHAIR'S UPDATE**
- 6. ECONOMIC REPORTING**  
(Pages 5 - 18)
- 7. LOCAL INDUSTRIAL STRATEGY DEVELOPMENT**  
(Pages 19 - 22)
- 8. INNOVATION**  
(Pages 23 - 26)
- 9. BUSINESS PRODUCTIVITY ACTIVITY**  
(Pages 27 - 34)
- 10. TRADE AND INVESTMENT**  
(Pages 35 - 42)
- 11. BUSINESS SUPPORT**  
(Pages 43 - 74)

## **12. PREPARING FOR BREXIT**

(Pages 75 - 78)

**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 TUESDAY, 26 FEBRUARY 2019 AT COMMITTEE ROOM A,  
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

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**Present:**

Andrew Wright (Chair)	Reliance Precision
Martin Booth	Witt UK Gp
Mike Danby	Advanced Supply Chain Lead
Amir Hussain	Yeme Architects
Will Roebuck	E-Radar
Phillip Wilson	Slipstream Design
Simon Wright	Yorkshire Bank
Councillor Mohammed Iqbal	Leeds City Council
Councillor Peter McBride	Kirklees Council
Councillor Alex Ross-Shaw	Bradford Council
Sandy Needham (Advisory Representative)	West & North Yorkshire Chamber of Commerce
Professor Lisa Roberts (Advisory Representative)	Leeds University
Mark Robson (Advisory Representative)	Department for International Trade
Marie Gilluley (Advisory Representative)	West Yorkshire Consortium of Colleges

**In attendance:**

Sue Cooke	West Yorkshire Combined Authority
Alan Reiss	West Yorkshire Combined Authority
Ian Smyth	West Yorkshire Combined Authority
Sarah Bowes	West Yorkshire Combined Authority
Henry Rigg	West Yorkshire Combined Authority
David Shepherd	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

**38. Apologies for Absence**

Apologies for absence were received from Councillors Byford, Collins, Pandor, Lee and Miller as well as Lee Savage, Nicola Greenan, and Dr Peter O' Brien.

**39. Declarations of Disclosable Pecuniary Interests**

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

#### **40. Exempt Information - Possible Exclusion of the Press and Public**

There were no items requiring the exemption of the press or public at the meeting.

#### **41. Minutes of the Meeting of the Business Innovation and Growth Panel held on 27 November 2018**

**Resolved:** That the minutes of the Business Innovation and Growth Panel meeting held on the 27 November be approved.

#### **42. Chair's Update**

The Chair began by noting that Sue Cooke, Executive Head of Economic Services, was leaving the Combined Authority after 10 years supporting the LEP. The Chair and the Panel thanked Sue for all her hard work and wished her the best in her new role.

The Chair also welcomed Alan Reiss, Director of Policy Strategy and Communications and Ian Smyth, Head of Economic Policy to the Panel.

The Chair also provided an update on the progress of the LEP merger.

#### **43. Local Inclusive Industrial Strategy**

The Panel considered a report about the Local Inclusive Industrial Strategy – and the process underway to develop this.

The Panel supported the focus on developing a robust evidence base. The Panel further emphasised the importance of reaching local communities through the engagement process – towns and villages as well as the major centres.

**Resolved:** That the BIG Panel notes progress made and endorses the proposed way forward on development of the evidence base.

#### **44. Trade and Investment**

The Panel received a presentation on the work of the trade and investment team. The Presentation outlined key aims for the forthcoming year and a review of the previous year. The main aims for the 2019/20 year included:

- A concerted effort to attract a greater spread of inward investment across the Leeds City Region.
- An increased focus on emerging markets particularly China and India.
- Refinement of Key sector messages and more focus on core sub sector strengths
- Increased focus on academia and innovation.
- A more campaign-led international place marketing strategy.

Members supported the closer collaboration with universities and the health sector. The Panel also discussed the importance of forming closer relationships with the districts to produce a more co-ordinated messaging around place.

Resolved:

- (i) That the BIG Panel comments on the proposals for the forward plan of activity for 2019/20
- (ii) That the BIG Panel notes the progress made to date on delivery of the above.

#### **45. Preparing for Brexit - Supporting Businesses**

The Panel considered a report which provided an update on the ongoing work to support business in City Region as the UK prepares to leave the EU.

Research carried out in December 2018 showed:

- 61% of respondents have devoted management time to considering the implications of Brexit on their business.
- 10% of businesses have made changes in response to Brexit.
- 60% of businesses were not planning any changes.

This ongoing work includes the provision of information via dedicated pages of the LEP Growth Service website, which provide guidance to businesses around preparing for Brexit.

The Panel was informed about the preparations to provide support for businesses in the event of a non-negotiated exit from the EU, which included the possibility of Growth Deal flexibility to provide Brexit specific business support.

**Resolved:** That the ongoing work to prepare for Brexit be noted.

#### **46. Business Support**

##### **(a) Growing Places Fund & Business Investment**

The Panel considered a report which discussed the future use of returned funds from the Growing Places Fund and the future role of the LEP in making business investments.

In order to develop the two products further it was proposed that engagement with external stakeholders, development of internal capacity and soft product testing of the existing market be undertaken. It was also suggested that a working group be established with representation from business to report to the BIG Panel regarding the development of the two products.

**Resolved:** That a working group be established with representation from business from BIG Panel.

**(b) Review of Inclusive Growth for Business Grants**

The Panel considered a report which provided a review of the Inclusive Growth criteria for the Business Growth Programme (BGP). The Combined Authority's Overview and Scrutiny Committee recommended that inclusive growth commitments be extended more widely to the grant elements of all business support programmes.

Since the introduction of the new criteria in July 2018, 172 new jobs have been created via the capital grants, of which 140 will pay the Real Living Wage or above.

The Panel discussed the scope of extending the inclusive growth criteria to other grant schemes and to grants of all values. Concerns were expressed regarding a possible disincentive effect on businesses applying for smaller grants.

The Panel discussed the need for more evidence around these concerns, and felt that the current £50k+ limit for when grant-recipients must commit to an additional inclusive growth action remained appropriate, but that strong encouragement and support should be provided for all grant-recipients to make a contribution. The Panel was clear that the principle of proportionality should be integral to the approach i.e. the lower the grant award and the smaller the business-recipient, the less the required commitment from the recipient, and vice-versa regarding large grants and larger businesses. It was suggested that feedback could be sought from business which could reassure the Panel regarding the possibility of extending the inclusive growth criteria to other grant schemes.

**Resolved:**

- (i) That the progress to date on the implementation of the new inclusive growth criteria and commitments to the BGP and gives a steer to the LEP board as whether they should be continued
- (ii) That the Panel considered the recommendation from the Combined Authority's Overview and Scrutiny Committee that inclusive growth commitments be considered for the grant elements of all business support programmes, and at all grant amounts.

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

**Date:** 28 May 2019

**Subject:** **Economic reporting**

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

**Author(s):** James Hopton, Patrick Bowes

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## **1 Purpose of this report**

- 1.1 To provide an update on the latest economic and business intelligence for the Panel.

## **2 Information**

- 2.1 This report presents recent developments in the global, national and local economy. The report is now produced on a regular, quarterly basis. As such the latest available version will be presented to each Panel meeting.

The version presented here is the February 2019 Economic Update.

### Main national and international headlines

- 2.2 The main national and international headlines include:

- UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The UK economy as a whole saw output decline by 0.4% in the month of December.
- The Eurozone economy also grew by just 0.2% in Q4 2018, continuing the slow pace of growth seen in Q3.
- The IMF has further revised down its global growth forecasts for 2019 and 2020, down from 3.7% in both years to 3.5% in 2019 and 3.6% in 2020. This is against a backdrop of slowing momentum, growing uncertainty in financial markets and the threat of trade wars inhibiting demand.
- For the UK, the IMF expect growth of 1.5% in 2019 and 1.6% in 2020, a slight upturn from their previous forecasts. This is predicated on an orderly Brexit, however.
- The UK labour market remains strong – the employment rate returned to a joint record high of 75.8% in December.

## 2.3 Leeds City Region economic headlines

For Leeds City Region, the key headlines include:

- Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018.
- Activity in the service sector was more buoyant, but profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence.
- 61% of respondents to the QES said they have devoted management time to considering potential impacts from Brexit.
- 54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a “no deal” scenario, with 16% not very or not at all confident.
- Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.
- The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600. The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3.
- Fieldwork for the 2019 Leeds City Region Business Survey recently concluded. Headline findings around Brexit have been provided below.
- 33% of businesses said they felt Brexit would have a detrimental impact, compared to 11% saying it would be beneficial. This compares to 28% and 10% in the 2017 survey respectively.
- Companies in manufacturing, construction and other production industries are more likely to say Brexit will be beneficial, whereas those in logistics and financial services are more concerned about the implications.
- 82% of respondents said they were not at all reliant on EU migrant workers, with 8% saying they were quite or heavily reliant. However, among medium and larger companies, 18% are either quite or heavily reliant on EU workers. The hospitality sector has the highest reliance, with 13% of companies either quite or heavily reliant.
- 60% of businesses identified some risk from Brexit, with higher costs (identified by 10% of respondents) general uncertainty / lack of confidence (8%) and the loss of customers (7%) the most frequently mentioned.
- 15% of respondents identified opportunities in Brexit, with an increase in customers/demand, less restrictive regulation and more investment in UK or home grown products all mentioned by 2% of respondents.



## **2.4 Brexit commentary and assessment**

The ongoing uncertainty associated with Brexit appears to be a factor influencing decision making.

Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions.

Although the immediate prospect of a no deal Brexit has receded since this analysis was undertaken, it is encouraging that a majority of businesses surveyed have actively considered the implications of Brexit to the extent that they are confident of withstanding a no deal scenario. There remains however a substantial number who have either not taken action or are not confident their response is sufficient. The delay in Brexit proceedings offers further time for businesses to prepare for future scenarios, but it also increases the period of uncertainty and consequent delays to investment, which has implications for growth and productivity.

## **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 consider how this relates to the work of the LEP and its strategy.

## **7 Background Documents**

None.

## **8 Appendices**

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

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## ECONOMIC AND BREXIT MONITOR: LEEDS CITY REGION, FEBRUARY 2019

### 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**

- Recent concerns about trade tensions have escalated of late. Combined with signs of a cyclical slowdown in some major nations, the global economy has lost some momentum in late 2018 and early 2019.
- UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The UK economy as a whole saw output decline by 0.4% in the month of December.
- The Eurozone economy grew by just 0.2% in Q4 2018, continuing the slow pace of growth seen in Q3.
- The US has yet to report official GDP for Q4 but recent economic data has been mixed.
- The IMF has further revised down its global growth forecasts for 2019 and 2020, down from 3.7% in both years to 3.5% in 2019 and 3.6% in 2020. This is against a backdrop of slowing momentum, growing uncertainty in financial markets and the threat of trade wars inhibiting demand.
- For the UK, the IMF expect growth of 1.5% in 2019 and 1.6% in 2020, a slight upturn from their previous forecasts. This is predicated on an orderly Brexit, however.
- The UK labour market remains strong – the employment rate returned to a joint record high of 75.8% in December.

#### **Key City Region and local developments**

- Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018.
- Activity in the service sector was more buoyant, but profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence.
- 61% of respondents to the QES said they have devoted management time to considering potential impacts from Brexit
- 54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a “no deal” scenario, with 16% not very or not at all confident.
- Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.
- The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600.
- The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3.
- The number of employers looking to recruit slowed in the City Region in Q4 2018, according to the QES.

#### **Brexit implications and conclusions**

- The ongoing uncertainty associated with Brexit appears to be increasingly weighing on business confidence and is now clearly affecting decision making.
- Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions.
- Nevertheless, the labour market remains strong which is driving increased earnings, which may in turn help to explain stronger than expected consumer activity.
- Whilst it is encouraging that a majority of businesses surveyed have actively considered the implications of Brexit and are confident of withstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.
- Whilst Brexit is prominent in the thinking of many, it is not the only issue affecting businesses at present. The threat of trade wars and a range of country specific issues are contributing to a global slowdown.
- Businesses also continue to report challenges recruiting staff, particularly manufacturers looking for specific or technical skills. This is despite data from ONS suggesting a small fall in employment in the City Region in recent quarters.

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

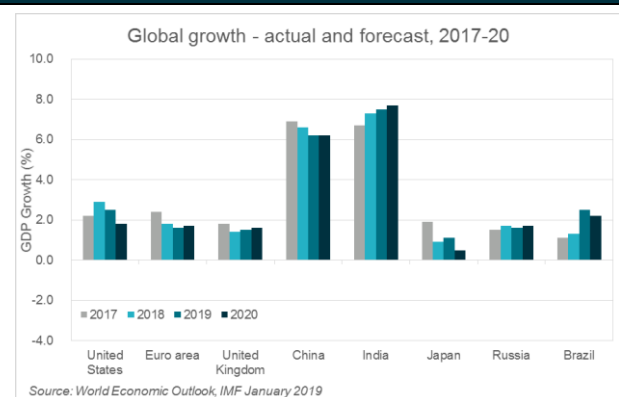
## ECONOMIC AND BREXIT MONITOR: LEEDS CITY REGION, NOVEMBER 2018

### 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 the end of 2018. There is also new official data on trade, inflation and retail activity and survey data on business sentiment.
- For Leeds City Region, the Quarterly Economic Survey with the Chambers of Commerce provides insight on business sentiment for Q4 2018. Labour market data from ONS for Q3 2018 and regional goods exports data from HMRC for the same period are also presented. Banksearch data on the number of new business bank accounts for Q4 2018 are also available.

### Global economic and political developments

- Recent concerns about trade tensions have escalated of late. Combined with signs of a cyclical slowdown in some major nations, the global economy has lost some momentum in late 2018 and early 2019.
- The Eurozone economy grew by just 0.2% in Q4 2018, continuing the slow pace of growth seen in Q3. Within the Eurozone, Italy fell into recession for the third time in a decade whilst early data suggests Germany has narrowly avoided a recession with flat or very low growth.
- The US has yet to report official GDP for Q4 but recent economic data has been mixed. Whilst the jobs market remains robust, recent data has pointed to falling activity in both manufacturing and retail, likely influenced by the recent government shutdown.
- The Chinese economy grew by 6.6% across 2018, the country's lowest output growth for 28 years. Growth is expected to slow further in 2019 as the country grapples with tighter domestic controls and the continued threat of an escalating trade war with the US.
- The IMF has further revised down its global growth forecasts for 2019 and 2020, down from 3.7% in both years to 3.5% in 2019 and 3.6% in 2020. This is against a backdrop of slowing momentum, growing uncertainty in financial markets and the threat of trade wars inhibiting demand.
- For the UK, the IMF expect growth of 1.5% in 2019 and 1.6% in 2020, a slight upturn from their previous forecasts. They expect the "prolonged uncertainty" caused by Brexit to be offset by the benefits of fiscal stimulus announced in the Budget. However, these forecast are predicated on an orderly transition from EU membership.
- As the deadline for the UK to leave the EU approaches with the details of any agreement still unclear, a number of nationally significant businesses announced decisions to move some or part of their operations.
- The automotive industry has seen significant movements with Honda announcing the closure of its Swindon plant, and Nissan shifting the manufacture of some models away from Sunderland. Honda have emphasised that Brexit is not the driver of its decision, blaming "global issues", though Nissan said "the continued uncertainty around the UK's future relationship with the EU is not helping companies like ours to plan for the future."
- A survey by the CBI highlights the challenges facing the UK automotive sector, which was one of eight industries to see output decline in the organisation's latest Industrial Trends survey. Overall the survey found slowing activity, though more companies are increasing output than cutting it.
- A survey by the Institute of Directors found that 29% of UK companies were planning to move at least part of their operations overseas in the event of no deal materialising, or had already acted to do so.



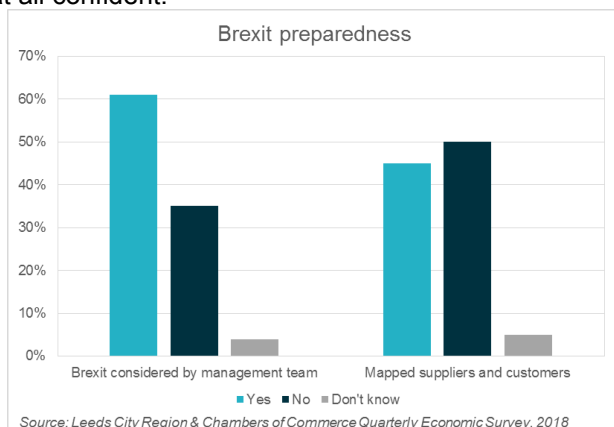
**Global economy summary:** There is a broad based slowdown in economic activity, partly driven by global, cyclical factors but also a range of country-specific issues. This trajectory is expected to continue in the coming months, leaving British businesses facing a combination of uncertain conditions at home and slowing demand from abroad.

## UK economic dashboard

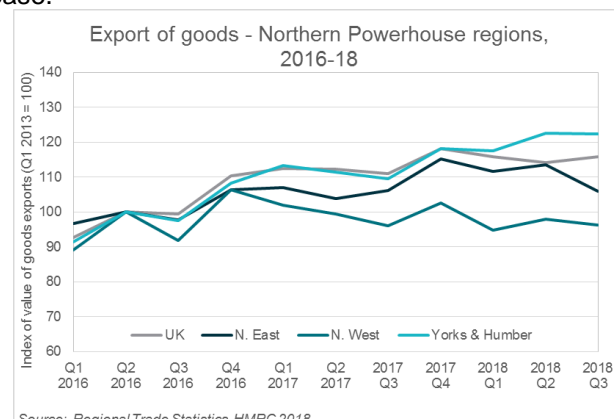
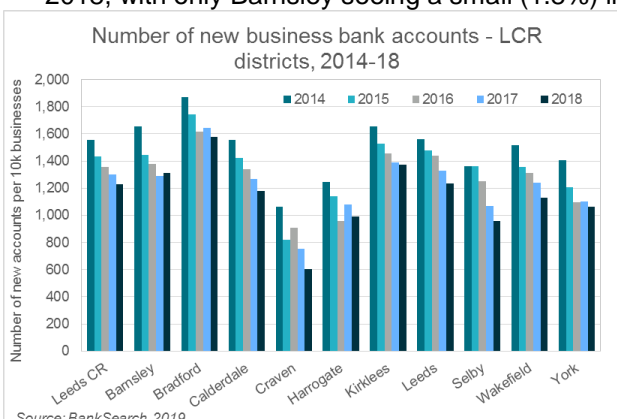
Indicator	Latest position	Chart	Trend
<b>Economic headlines</b>	<p>UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The service sector expanded by 0.4% but manufacturing (-0.9%) and construction (-0.3%) both contracted.</p> <p>The UK economy as a whole saw output decline by 0.4% in the month of December. Car manufacturing and steel production experienced particularly sharp falls, with Brexit uncertainty cited as a key factor.</p>	<p>UK GDP growth, 2008-18</p> <p>Source: Office for National Statistics, 2019</p>	
<b>Confidence and sentiment</b>	<p>All sectors of the economy have seen a marked slowdown at the start of 2019 according to Markit's PMI surveys. Activity in the service and construction sectors fell close to the 50 point level, which indicates declining output, in January.</p> <p>Whilst manufacturing was a little more positive, it still experienced a slowdown. Stockpiling at the fastest rate in the survey's 27 year history helped sustain activity, but employment also fell in the sector.</p>	<p>Purchasing Managers Index (PMI) by sector, 2016-19</p> <p>Source: Markit/CIPs PMIs, 2016-19</p>	
<b>Labour market</b>	<p>The number of people in work in the UK increased by 167,000 in the last three months of 2018 to 32.6 million, according to ONS. The employment rate returned to a joint record high of 75.8%.</p> <p>Unemployment fell by 14,000 to 1.36 million, and the number economically inactive fell by 94,000. The unemployment rate remained steady at 4%.</p>	<p>UK employment growth 2008-18</p> <p>Source: Office for National Statistics, 2018</p>	
<b>Trade and exports</b>	<p>Following a slowdown in late 2018, retail sales increased by 0.7% in the three months to January, and by 3.5% on the same period a year earlier. Clothing stores enjoyed a strong January, with food stores also seeing growth.</p> <p>The UK's trade deficit widened to £10.4bn in the three months to December, with a £1.8bn increase in imports outpacing £1bn growth in exports.</p>	<p>UK retail sales, 2008-19</p> <p>Source: Office for National Statistics, 2019</p>	
<b>Inflation and wages</b>	<p>Inflation fell to 1.8% in January, below the official target of 2% for the first time since January 2017. Falling energy costs were a key factor.</p> <p>Average earnings increased by 3.4% in the three months to December, maintaining recent strong growth. Combined with falling inflation, real pay has increased by 1.2% in the past three months.</p>	<p>Wage growth and inflation, 2008-19</p> <p>Source: Office for National Statistics, 2019</p>	
<p><b>Brexit implications:</b> The ongoing uncertainty associated with Brexit appears to be increasingly weighing on business confidence and is now clearly affecting decision making. Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions. Nevertheless, the labour market remains strong which is driving increased earnings, which may in turn help to explain stronger than expected consumer activity.</p>			

## Leeds City Region – Business Performance and Trade

- Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018.
- Whilst more manufacturers continue to report growth than declining sales, the net balance has dropped from 33% for both home sales and exports in Q3, to 17% for home sales and 14% for exports in Q4.
- Activity in the service sector was more buoyant, with a net balance of 37% reporting increased domestic sales, up from 33% in Q3 and export activity unchanged.
- Profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence. Rising input prices appear to be a factor, driven by currency fluctuations but also by a shortage of supply as companies look to build up stock in advance of Brexit.
- In contrast, the Natwest Regional PMI found business confidence in the region was higher than most other UK regions in February, though jobs growth remained modest.
- Businesses in the Q4 QES were asked specifically about their Brexit preparations. 61% said they have devoted management time to considering potential impacts from Brexit, and 45% said they had mapped their supplier and customer base and considered potential impacts.
- Only 10% said they had already made changes to their operating model or business strategies in response to Brexit, though a further 30% said they expected to do so at some stage. 54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a “no deal” scenario, with 16% not very or not at all confident.



- There were 3,700 new business bank accounts opened in Leeds City Region in the last quarter of 2018, a similar number to the 3,800 recorded in both Q3 2018 and Q4 2017. 15,500 new accounts were opened over 2018 as a whole, down 5.9% on 2017 and the lowest annual total since data collection began in 2008. The number of new accounts was down 8.4% nationally over the year.
- Most districts in Leeds City Region saw a fall in the number of new business bank accounts opened in 2018, with only Barnsley seeing a small (1.8%) increase.



- The value of goods exported from Yorkshire & Humber was largely unchanged between Q2 2018 and Q3 2018 at £4.55bn. There was a 1.6% drop in EU exports, and a 2.2% increase in trade with other markets.
- Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.

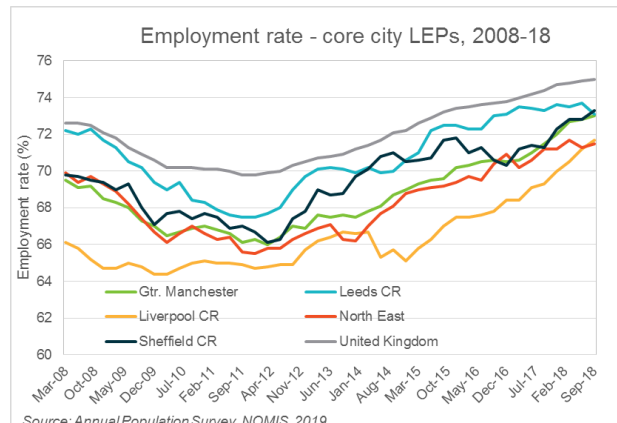
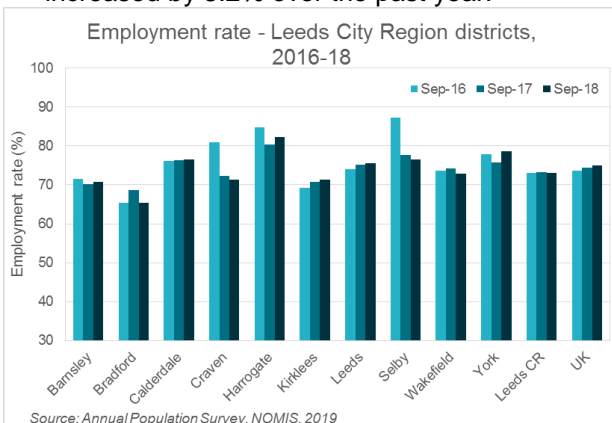
**Brexit implications:** City Region businesses reported slowing sales and falling confidence at the end of 2018. Whilst it is encouraging that a majority of businesses surveyed have actively considered the implications of Brexit and are confident of withstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.



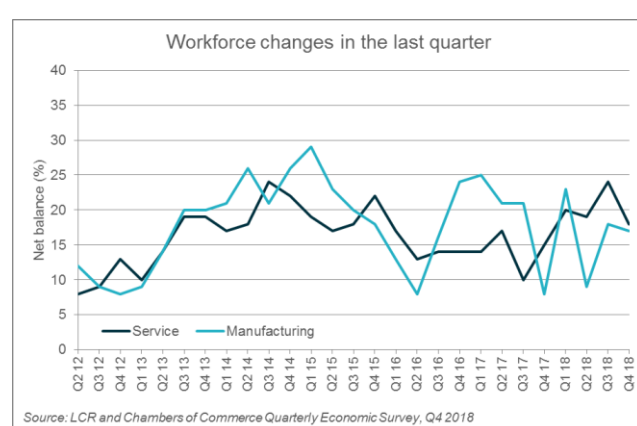
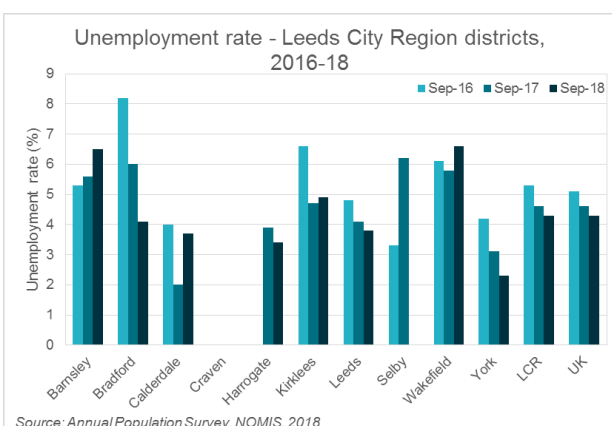


## Leeds City Region – Labour Market

- There were 1.41 million Leeds City Region residents in work at the end of Q3 2018, an employment rate of 73.1% according to the ONS Annual Population Survey. The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600.
- All districts in West Yorkshire saw employment fall this quarter, whilst all other districts in the City Region saw increases. Data can fluctuate from quarter to quarter however, and employment in the City Region is broadly in line with the same time period a year earlier. UK employment is up 0.2% from Q2 to Q3, and 1% over the year.
- Most core city LEPs saw total employment increase between Q2 and Q3 2018 with Sheffield City Region (+0.8%) seeing the fastest growth. Over the past year, the 0.1% employment growth seen in Leeds City Region is below that of other core city LEPs. Employment in both Sheffield and Liverpool City Regions increased by 3.2% over the past year.



- The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3. This employment rate is similar to Sheffield City Region (73.3%) and Greater Manchester (73%) but below West of England and D2N2 among core city LEPs.
- The number of employers looking to recruit slowed in the City Region in Q4 2018, according to the QES. A net balance of 17% of manufacturers and 18% of service sector companies have expanded their headcount. Looking ahead, fewer companies in both sectors are expecting to increase their workforce in early 2018.
- Whilst Brexit uncertainty is likely to be a factor inhibiting recruitment for some, many companies, and particularly manufacturers, point to a shortage of skilled workers as a key constraint on their expansion plans.



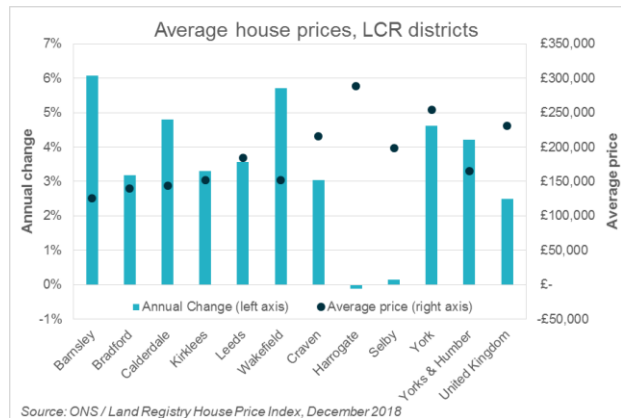
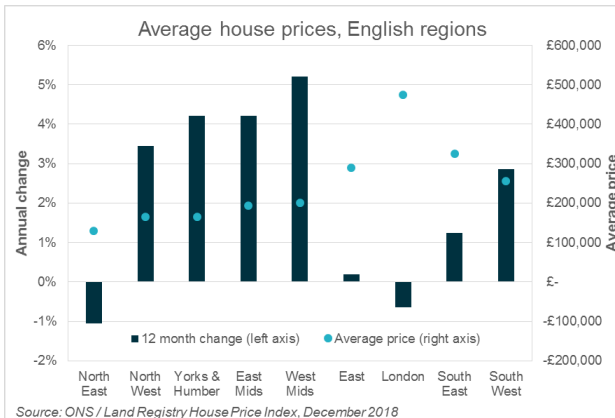
- Looking at unemployment, there was again a split between West Yorkshire and other parts of the City Region, with most non-West Yorkshire districts seeing unemployment fall, offsetting a 1,100 increase across West Yorkshire as a whole. Bradford was the only West Yorkshire district where the number out of work fell, down 1,600 (15%) to 9,100.

**Brexit implications:** The employment picture is less positive locally than it is nationally this quarter. Though local data is less reliable and can fluctuate, survey data supports the view that businesses are less inclined to recruit. A lack of available skills, as much as Brexit uncertainty, seems to be a driver of this.

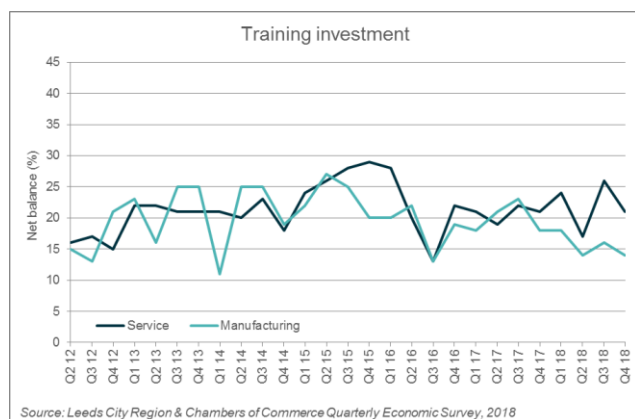
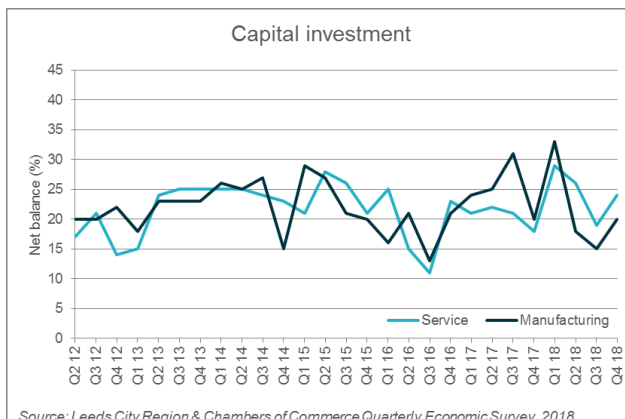


## Leeds City Region – Housing, Property and Investment

- House prices in Yorkshire & Humber increased by 4.2% in the year to December 2018 to an average of £165,100. Prices increased by 2% between November and December.
- The region's annual growth rate is the same as the East Midlands, and only West Midlands (+5.2%) saw faster growth last year. The North East (-1%) and London (-0.6%) saw prices fall.
- However, sales volumes were down across all regions in the year to October 2018. There were 10.7% fewer sales in this period in Yorkshire & Humber compared to a 12.3% fall nationally and a 16.8% fall in the South East.



- Within the City Region, Barnsley has seen the strongest growth with prices increasing by 6.1% over the past year, followed by Wakefield (5.7%).
- Most districts saw prices increase faster than the 2.5% growth seen nationally, though prices were largely flat in Harrogate and Selby.
- Capital investment by businesses in the City Region increased in Q4 2018 according to the QES. Both manufacturers and service sector firms saw the net balance increase by 5 points from Q3. Anecdotally, the Chambers report that many companies are only investing to meet current order books and that longer term investment is on hold pending the outcome of EU negotiations.
- Investment in training slowed over the same period however, with both manufacturers and service sector firms reporting a slowdown here.



- Local property agents report in the QES a doubling in the value of land for industrial use over the last 12 months along with a 25% increase in rental values for warehousing. This at least in part is being driven by demand from manufacturers and retailers looking for space for stock holding in preparation for any disorderly exit from the EU.

**Brexit implications:** Although house prices are holding up, the fall in sales volumes indicates that few households are willing to make significant investment decisions at a time of uncertainty. The same appears to be true of businesses, though increased take up of warehouse space is symptomatic of businesses taking steps to secure supplies ahead of the EU exit.



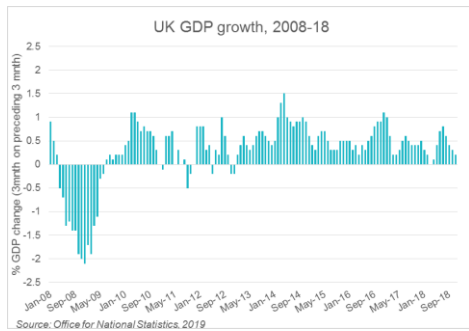

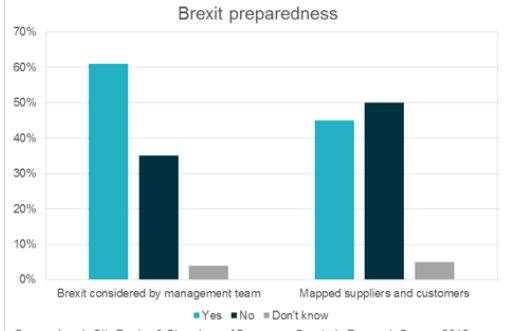

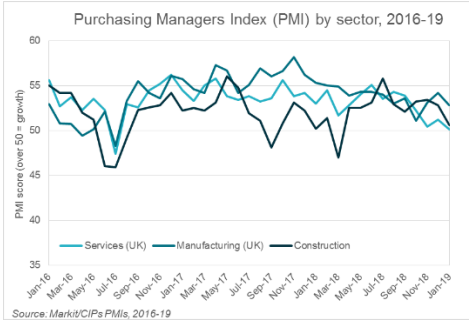

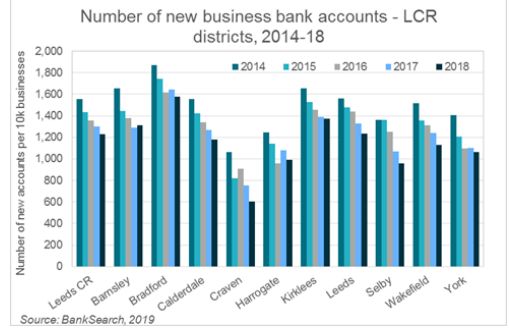

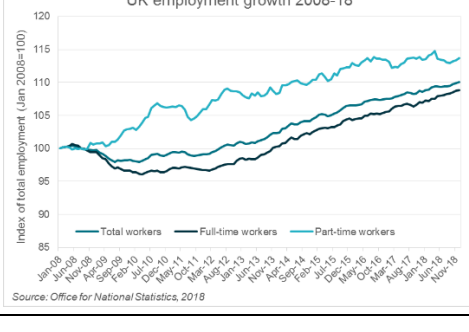

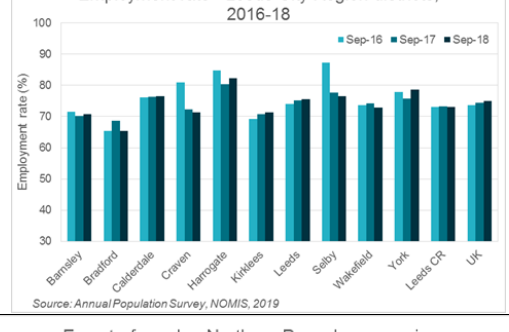

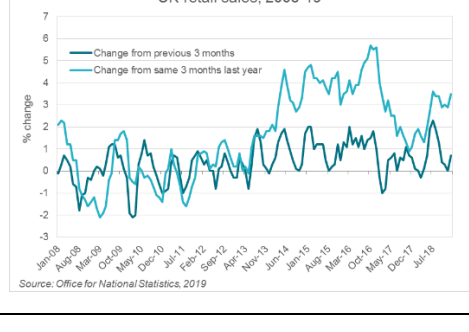

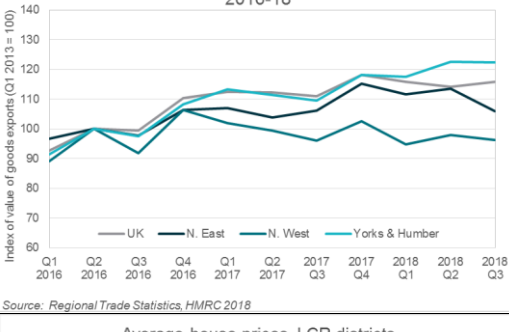

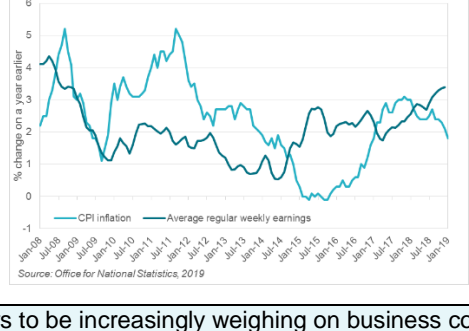

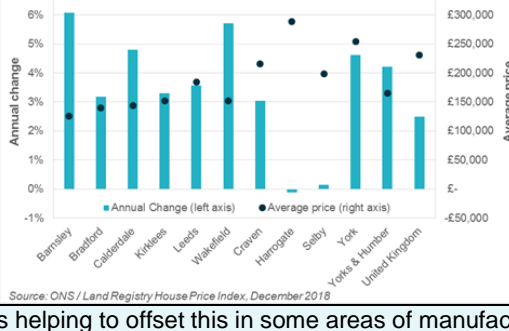



## Conclusions and outlook

- The impacts of the ongoing uncertainty from Brexit appear more evident in the data this quarter than in recent times. Whilst the overall picture remains one of growth, both local and national surveys point to an increasing number of businesses concerned about what the post-March trading environment will look like. Harder GDP data now appears to be reflecting this, with output declining in December.
- Whilst Brexit is prominent in the thinking of many, it is not the only issue affecting businesses at present. The threat of trade wars and a government shutdown in the US, protests in France and falling business confidence in Germany are all contributing to a global slowdown. In spite of the additional issue of Brexit, growth in the Eurozone is not outpacing that of the UK at present.
- Clearly this is affecting conditions in key markets for Leeds City Region exporters. Combined with Brexit, this equates to a challenging trading environment and helps to explain falling business confidence this quarter.
- As reported above, surveys suggest a majority of businesses in Leeds City Region have actively considered both the challenges and opportunities from Brexit at board room level. Close to half have looked to understand the implications for their supply chains and customer base. This, combined with the evidence suggesting increased demand for inputs and storage space, shows many businesses are taking steps to mitigate the risks of a disorderly exit in March.
- However, the finding in the QES that a third of businesses have not considered Brexit at management level, and one in six are not confident of withstanding a disorderly exit, emphasises the scale of the risk that such an uncertain scenario poses.
- Anecdotal evidence emphasises that whilst many businesses in the City Region share concerns about what happens post-March, some of the challenges and responses are highly specific to certain industries or businesses. Chemical manufacturers have for example are considering how changes to the REACH regulations governing their import and export could have a significant impact on both lead times and administration costs.
- Businesses also continue to report challenges recruiting staff, particularly manufacturers looking for specific or technical skills. This is despite data from ONS suggesting a small fall in employment in the City Region in recent quarters.
- Whilst access to appropriately skilled workers is not a new development, the combination of high employment reducing the talent pool available, and the risk of reduced access to overseas labour appears to bringing the issue to the forefront of businesses' minds.
- The issue of stockpiling is clearly not unique to UK businesses, with evidence suggesting some overseas clients have brought forward post-March orders. This perhaps explains recent strong export performance for manufacturers in our region, but at a practical level creates resourcing and capacity issues for some companies.
- Given that access to labour is scarce and a range of factors mean that demand from customers is less predictable than usual, businesses face a real challenge in allocating their resources effectively. The increase in wages seen in recent months evidences the need for businesses to attract and retain workers in a competitive market place, whilst the slight upturn in capital investment seen in the QES last quarter suggests that, despite a reluctance to make large-scale investments, businesses are having to look at alternative ways to meet demand rather than hiring more workers.
- At a broader level, despite signs of a slowdown it may be the case that Brexit preparations are actually resulting in an uplift in economic activity at present as spending originally planned for post-March is brought forward. In this scenario, a post-March slowdown might be expected whatever the outcome of Brexit negotiations, as inventories are unwound.

*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](mailto: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
<b>Economic headlines</b>	Recent concerns about trade tensions have escalated of late. Combined with signs of a cyclical slowdown in some major nations, the global economy has lost some momentum in late 2018 and early 2019.  UK GDP growth slowed to 0.2% in Q4 2018, a marked slowdown from growth of 0.6% in Q3. The UK economy as a whole saw output decline by 0.4% in the month of December.			<b>Economic headlines</b>	Manufacturers in Leeds City Region reported a sharp slowdown in domestic and export sales growth at the end of 2018, according to the Chambers of Commerce Quarterly Economic Survey (QES) for Q4 2018. Activity in the service sector was more buoyant.  54% of City Region businesses told the QES that they were either confident or very confident that they could withstand potential disruption from a “no deal” scenario, with 16% not very or not at all confident.		
<b>Business performance &amp; confidence</b>	All sectors of the economy have seen a marked slowdown at the start of 2019 according to Markit's PMI surveys. Activity in the service and construction sectors fell close to the 50 point level, which indicates declining output, in January.  Whilst manufacturing was a little more positive, it still experienced a slowdown. Stockpiling at the fastest rate in the survey's 27 year history helped sustain activity, but employment also fell in the sector.			<b>Business performance &amp; confidence</b>	Profitability expectations declined in both sectors in Q4 with manufacturers seeing a sharper fall in confidence. Rising input prices appear to be a factor, as companies look to build up stock in advance of Brexit.  15,500 new business bank accounts were opened over 2018 as a whole in Leeds City Region, down 5.9% on 2017 and the lowest annual total since data collection began in 2008. The number of new accounts was down 8.4% nationally over the year.		
<b>Labour market</b>	The number of people in work in the UK increased by 167,000 in the last three months of 2018 to 32.6 million, according to ONS. The employment rate returned to a joint record high of 75.8%.  Unemployment fell by 14,000 to 1.36 million, and the number economically inactive fell by 94,000. The unemployment rate remained steady at 4%.			<b>Labour market</b>	The number of people in work fell by almost 10,000 (0.7%) over the quarter. Unemployment also fell, down 1,600 (2.5%) to 63,600.  The employment rate for Leeds City Region dropped from 73.7% in Q2 to 73.1% in Q3. This employment rate is similar to Sheffield City Region (73.3%) and Greater Manchester (73%) but below West of England and D2N2 among core city LEPs.		
<b>Trade and exports</b>	Following a slowdown in late 2018, retail sales increased by 0.7% in the three months to January, and by 3.5% on the same period a year earlier. Clothing stores enjoyed a strong January, with food stores also seeing growth.  The UK's trade deficit widened to £10.4bn in the three months to December, with a £1.8bn increase in imports outpacing £1bn growth in exports.			<b>Trade &amp; exports</b>	The value of goods exported from Yorkshire & Humber was largely unchanged between Q2 2018 and Q3 2018 at £4.55bn. There was a 1.6% drop in EU exports, and a 2.2% increase in trade with other markets.  Total goods exports from the region are 11.8% higher than Q3 2017, compared to 4.3% growth nationally.		
<b>Inflation and wages</b>	Inflation fell to 1.8% in January, below the official target of 2% for the first time since January 2017. Falling energy costs were a key factor.  Average earnings increased by 3.4% in the three months to December, maintaining recent strong growth. Combined with falling inflation, real pay has increased by 1.2% in the past three months.			<b>Housing and property</b>	House prices in Yorkshire & Humber increased by 4.2% in the year to December 2018 to an average of £165,100. Prices increased by 2% between November and December. The region's annual growth rate is the same as the East Midlands, and only West Midlands (+5.2%) saw faster growth last year.  However, sales volumes were down across all regions in the year to October 2018. There were 10.7% fewer sales in this period in Yorkshire & Humber compared to a 12.3% fall nationally.		
<b>Summary</b>	The ongoing uncertainty associated with Brexit appears to be increasingly weighing on business confidence and is now clearly affecting decision making. Whilst stockpiling and forward planning is helping to offset this in some areas of manufacturing, the broader picture is of slowing momentum affected by both Brexit and more challenging global conditions. Whilst it is encouraging that a majority of City Region businesses surveyed have actively considered the implications of Brexit and are confident of withstanding a no deal scenario, there remains a substantial number who have either not taken action or are not confident their response is sufficient.						

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

**Date:** 28 May 2019

**Subject:** **Local Industrial Strategy Development**

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

**Author(s):** Emma Longbottom

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## **1. Purpose of this report**

- 1.1 To update the Panel on progress to develop a Local Industrial Strategy (LIS) for the proposed new LEP geography, which encompasses the areas of West and North Yorkshire, and seek input on the strengths and opportunities in the new geography.

## **2. Information**

- 2.1 As previously reported, following the LEP Review (September 2018) there is now local consensus that supports the establishment of a new LEP encompassing the areas of West and North Yorkshire. Teams from the two LEPs are working towards the development of a single LIS to cover the entire geography. This will be completed by December, to be signed off by Government by March 2020.
- 2.2 The LIS will focus on bold steps aimed at boosting productivity and driving both inclusive and clean growth living for a post-2030 economy.
- 2.3 Work is underway to identify key priorities against the five foundations of productivity – People, Place, Infrastructure, Ideas and Business Environment, which can be further developed, tested and supported by evidence over the coming months to ensure that the LIS is reflective of the proposed new geography.
- 2.4 In addition Government has set out four grand challenges – Clean Growth, AI and Data, Future of Mobility and Ageing Society. LISs will demonstrate how and where they can contribute to one or more of these global challenges by identifying nationally significant strengths, assets and opportunities.

- 2.5 The LIS will be co-produced with Government. Its ultimate endorsement by Government will mean it is a local expression of Government policy. This makes it a particularly powerful and influential strategy which will have an impact on future decisions about the region, for instance with regard to funding.

#### Process

- 2.6 Government guidance is clear on the need for LISs to be underpinned by robust evidence which draws out relative strengths and weaknesses, with an emphasis on productivity. A strong evidence base is already in existence and this will be developed and brought together into a full economic analysis, which will support the development of policy priorities.
- 2.7 A broad range of stakeholders have responded to an initial call for evidence to inform the development of the LIS. A second, more focused call for evidence will also be launched in May to delve into key areas, based on more specific questions.
- 2.8 Additional work is being undertaken where there is a gap in the existing knowledge base and a more intensive examination of the issues is required to address gaps in intelligence and determine areas of distinctiveness across the new geography. External consultancy and support has been commissioned to develop more detailed evidence around:
- *Productivity review*: greater analysis of productivity performance across the City Regions, including analysis of sectors that have significant levels of low productivity firms.
  - *Supply chain analysis*: identifying areas where there are opportunities to improve processes and develop new opportunities for businesses.
  - *Understanding innovation in the region*: culture, capacity and potential for innovation across our business base.
  - *Health-tech/digital health audit* - seeks to better understand the nature of health-tech, particularly digital health, beyond the top line facts and figures, identifying genuine areas of distinctive strengths and opportunities across the region.
  - *Inclusive growth* – understanding approaches across the new geography and working towards a set of indicators in the context of the LIS.
  - *Clean growth audit* - identify the current clean growth sectors and develop new areas of opportunity.
- 2.9 The initial economic analysis, and associated commissions will be complete in May 2019. Further detailed work may follow. The final data report will be produced in July 2019. Headline findings regarding productivity and Business Environment will be presented at the meeting. Innovation/Ideas will be covered in the Innovation paper.
- 2.10 Panel members are asked to provide feedback on some of the strengths, areas of distinctiveness and opportunities across the new geography, particularly relating to improving productivity.

- 2.11 An independent panel has been established to provide expert challenge and advice, and critical review of the evidence base and subsequent policy priorities. Members of the panel will be drawn from academia, business, the public sector (including large employers such as the NHS), and the voluntary and community sector. The panel met on 1 May and provided robust feedback regarding the process to develop the LIS.
- 2.12 In addition consultation and engagement will take place with LEP Board Panels, businesses, universities, local authorities and community and citizen groups to best understand their priorities and the role that the new LEP can play in meeting these. This engagement has commenced, with a range of methodologies being explored including online consultation, social media, workshops and roundtables, and place-based community engagement events.
- 2.13 To reflect the scale and long-term ambition of the LIS, we will also engage with young people on their views and input into shaping our proposals.
- 2.14 The process to develop the LIS will be iterative and will therefore evolve throughout the year. Engagement and co-production with Government will be undertaken throughout the development process to ensure that the LIS is completed and submitted to Government in December 2019.

### **3. Financial Implications**

- 3.1 In addition to core staff resource to support research and intelligence and policy development activity, a budget of approximately £200,000 is available from Combined Authority / LEP internal budgets across the financial years 2018-19 and 2019-20 to support development of the evidence base for the LIS. In addition, both LEPs have been allocated funding identified in the 'Strengthened Local Enterprise Partnerships' guidance for capacity building. Officers from both teams are currently developing proposals for deploying this budget. The additional funding has been approved by Government.

### **4. Legal Implications**

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

### **5. Staffing Implications**

- 5.1 The LIS development forms a central component of the Combined Authority and LEP's programme of work to broaden its policy range. This will require capacity and expertise from the Combined Authority, local authorities and other partners. This can largely be provided within existing resources.

### **6. External Consultees**

- 6.1 External engagement to inform the development of the LIS has been commissioned to review productivity, innovation, clean growth, health tech and inclusive growth.

## **7. Recommendations**

- 7.1 That the Business, Innovation and Growth Panel:
- Notes progress made and endorses the proposed way forward.
  - Provides feedback on some of the strengths, assets and opportunities across the new geography, particularly relating to the Business Environment and Ideas elements of the LIS.

## **8. Background Documents**

- 8.1 There are no background documents.

## **9. Appendices**

- 9.1 There are no appendices.



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

**Date:** 28 May 2019

**Subject:** Innovation

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**Director(s):** Alan Reiss, Director Policy, Strategy and Communications

**Author(s):** Sarah Bowes

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## **1. Purpose of this report**

- 1.1 To provide panel members with an update on plans to embed innovation into the Local Industrial Strategy and wider policy framework.

## **2. Information**

### Background

- 2.1 Innovation is key to addressing some of the biggest challenges facing the UK and the Yorkshire economies, most notably productivity. As the UK's Industrial Strategy Green Paper (2017) notes: "Higher levels of investment in innovation correlate with faster growth and higher income levels... leads to the creation of new products and services, more effective processes and better ways of doing business. These improvements are the essence of economic growth."
- 2.2 In recognition of this, the national Industrial Strategy sets out a target for the UK to spend 2.4% of GDP on research & development (R&D) by 2027. Current spend is 1.7%, ranking the UK 11th in the EU.
- 2.3 However it is important to note that whilst R&D is a critical element of innovation, it is not the only source of innovation which can also come from the development of new processes or services to improve efficiency and therefore the LIS has to strike a balance between striving for the 2.4% ideas generation target and also supporting broader innovation diffusion and adoption of ideas and technology in the wider economy.
- 2.4 To support the development of the Local Industrial Strategy, and to further interrogate the region's innovation performance, work has been commissioned to explore the region's 'Innovation Culture, Capacity and Potential'. This is due

to report back in mid May 2019 and Panel members will receive a presentation with the findings at the meeting on the 28 May.

- 2.5 The research is seeking the answer the following question: What does innovation activity and diffusion in the region look like and what do we need to do to help all of our businesses achieve their innovation potential? The research will specifically explore the following areas:
- Who is currently innovating and conversely, who is not?
  - Does innovation activity vary by sector?
  - How much innovation is not captured in R&D investment?
  - What drives innovation activity?
  - Is anything unique to The Region in terms of innovation or innovation activity?
  - Who do innovating businesses engage and collaborate with on innovation activity?
  - What role can Universities play in innovation and innovation diffusion?
  - What does best practice look like?
  - How do we perform in terms of innovation and diffusion of innovation – and what role do issues such as business culture and sectoral make up play in this?
  - How do we create/foster a culture of open innovation?
  - What role do enabling technologies play in innovation and innovation diffusion?
  - What role does place have in innovation activity and diffusion?

- 2.5 Panel members will also hear about other initiatives underway to support innovation activity from Yorkshire Universities, Leeds University, Huddersfield University and the LEP's successor to Access Innovation, currently titled Connecting Innovation.

### **3. Financial Implications**

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

### **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.

### **6. External Consultees**

- 6.1 No external consultations have been undertaken.

### **7. Recommendations**

- 7.1 For the Panel to discuss the findings presented at the meeting, with a particular focus on guiding the next steps in the development of the Local Industrial Strategy.

**8. Background Documents**

None.

**9. Appendices**

None.

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

**Date:** 28 May 2019

**Subject:** **Business Productivity Activity**

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**Director(s):** Alan Reiss, Director Policy, Strategy and Communications,  
Henry Rigg, Interim Executive Head of Economic Services

**Author(s):** Alex Clarke, Lorna Holroyd

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## 1. Purpose of this report

- 1.1 To provide the Panel with an update on activity being undertaken to improve productivity and promote key characteristics of high performing firms, including the Local Enterprise Partnership's business basics project and productivity pilot.

## 2. Information

### Background

- 2.1 As evidenced in its central position within the Local Inclusive Industrial Strategy, productivity is seen as both a key challenge and an opportunity for the Leeds City Region. The productivity gap between the City Region and the UK average, which is both significant and growing, was the first of four structural challenges identified by the LEP Board in 2017. Closing this gap could deliver £10bn to the region's economy.
- 2.2 The evidence base for Leeds City Region suggests that arguably the most significant productivity challenge for the region is in relation to the long-tail of low productivity businesses. Whilst there are significant pockets of highly productive businesses, compared to the UK as a whole, the City Region has a much greater number of businesses, regardless of sector or size, which underperform in terms of productivity. In this context, the work led by Sir Charlie Mayfield and the Productivity Leadership Council has also illustrated that the UK lags behind international comparators<sup>1</sup>. As the resilience of businesses post-Brexit will depend to a great extent on their ability to continue to compete in a new business environment, addressing this particular

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<sup>1</sup> <https://www.bethebusiness.com/wp-content/uploads/2018/04/how-good-is-your-business-really.pdf>

productivity challenge is key to future business growth and also living standards.

### Business basics

- 2.3 As previously discussed at the BIG Panel meeting in September 2018, the Combined Authority/LEP submitted a project bid to the Business Basics competition, funded by the Department for Business, Energy and Industrial Strategy (BEIS) and run by Innovate UK. The aim is 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 submitted bid was focussed on testing how a data-led approach to targeting messages at low-mid productivity firms could increase awareness of relative productivity performance and of the support available to firms in the City Region to address this.
- 2.4 The project application was successful with delivery commencing in December 2018. The main focus of the project has been:
- Refining the existing data-led model that identifies firm-level productivity and characteristics to provide intelligence for targeting low to mid productivity firms
  - Designing a tailored marketing offer using behavioural insights (“nudge theory”), and firm-level relative productivity data identified through the data-led model, that can be emailed directly to businesses to encourage behaviour change.
  - Evaluating the effectiveness of the data-led model and tailored marketing with a small scale trial, utilising a sample of the identified low productivity firms and testing click-through rates to a minimum of two variants of the tailored marketing.
- 2.5 A number of important stages of the project have been completed to date as follows:
- Secured subcontractors with expertise in data analysis and behavioural insights
  - Refined the existing data model and provided new insights into firm level productivity characteristics
  - Workshop with behavioural insights team to develop initial messaging ideas.
  - Developed an outline approach to running the trial in line with control trial principles
- 2.6 Include more details on progress – including numbers from data

### Productivity pilot

- 2.7 The productivity pilot originates from a discussion at BIG Panel in March 2018, at which members expressed a strong view that more should be done to incentivise improved productivity as a condition of awarding capital grants, as opposed to purely job creation.

- 2.8 Following development by a working group, which included private sector members of the Panel, a senior representative of the Government's Cities and Local Growth Team and officers of the Combined Authority, it was agreed to trial a different approach with a £500,000 budget from within the Business Growth Programme (BGP) budget. This would be a pilot project following more of a competition model (akin to the Innovate UK approach) to incentivise productivity improvements within a small cohort of businesses, rather than requiring projects to lead to the creation of new jobs.

*Objectives of the pilot*

- 2.9 The key objectives for the pilot are to:

1. Improve productivity within a cohort of businesses in the City Region.
2. Gain a better understanding of the key productivity drivers for businesses and of effective ways to measure productivity at the firm-level.
3. Identify robust and meaningful interventions to boost productivity that could replace, and/or, supplement job creation as a condition for future support from the public purse.
4. Incentivise and support businesses to adopt a more proactive approach to improving productivity, including meaningful interventions and measurements tailored to their business needs.
5. Capture practical learning to directly inform future interventions to improve business productivity, understanding the different approaches depending on business size or sector.
6. Better meet the needs of businesses in the current economic climate, particularly manufacturers.
7. Build close working relationships with a cohort of businesses and monitor their productivity over a longer period.
8. Position the City Region at the forefront of developing policies and evidence-led interventions on business productivity.

*The pilot*

- 2.10 The pilot was run as a competition, with an Open Call inviting businesses to apply between 17 September and 14 December 2018. Applications were invited from businesses for grants of between £25,000 and £100,000 (with corresponding total project costs of between £125,000 and £1 million) to support capital investments leading to clearly-evidenced productivity improvements that will be undertaken between 1 February and 31 July 2019.
- 2.11 Applicants were asked to complete a 'Productivity Plan' which demonstrated how they currently measure productivity and what improvements will be achieved, and evidenced, within a 12-month period following the investment. Applicants were also asked to also set out other firm-level productivity interventions that will complement the capital investment and be delivered within an agreed period of up to 12 months. Examples could include commitment to achieve an industry or technical accreditation, undertake a

productivity-improvement activity, such as Lean Manufacturing or Six Sigma, or, upskill key employees to gain maximum benefit from the capital investment.

- 2.12 A total of 11 applications were received, with a total grant request of £687,050. Four were from Leeds-based businesses, two each from Barnsley, Bradford and Kirklees and one from Craven. Six applications were from small enterprises (fewer than 50 employees), three from medium enterprises (50-249 employees) and two from large businesses (250 or more employees). All applicant businesses were in the manufacturing/engineering sectors.
- 2.13 After initial screening by officers to confirm eligibility for the programme, the applications were considered by the Productivity Pilot Technical Appraisal Group (same as the Working Group membership referenced at 2.8) on 14 January 2019. Applications were scored based on the Productivity Plans submitted as part of their applications. Those scoring highest, and consequently being recommended for approval, were those best able to demonstrate how the investment(s) would lead to clearly measurable improvements in productivity, and then also set out a clear approach to capturing and reporting those improvements in the short and longer term.
- 2.14 Seven applications were recommended for approved (with a total grant value of £500,165), and four were recommended for rejection (with a total grant value of £186,885).
- 2.15 The recommendations of the appraisal panel were subsequently formally endorsed by the Combined Authority's Executive Head of Economic Services in February 2019.

#### *Early stage findings*

- 2.16 More detailed findings will be reported to the Panel when the majority of the investments are complete by the end of this summer. However, there are some initial common findings across the supported projects as follows :
- There is a demand for a product of this nature with applicants, and the wider manufacturing sector, welcoming the opportunity for grant support linked to productivity improvements, rather than job creation. In addition to the 11 applications received, there was significantly higher interest in the pilot, but not all projects met the defined timescales required for the pilot and therefore did not come forward as applications.
  - All applications were from businesses in the manufacturing / engineering sector, and most related to the development of new automated 'production 'cells' that aim to reduce waste and/or save time e.g. reduce / eliminate bottlenecks.
  - Applicant businesses all measure productivity in different ways which makes capturing outputs / outcomes at a programme level more challenging.



- At a project level, applicants have contracted to deliver operational and financial key performance indicators.
- All successful applicants were able to clearly identify additional firm-level productivity interventions to be delivered within an agreed period alongside, or shortly after, the capital investment e.g. training of specific employees and gaining industry supplier accreditation.
- Applicants receiving grant awards of £50,000 or above have also committed to additional Inclusive Growth commitments (as per the policy at the time of application), such as undertaking an energy audit, working with local schools, undertaking more sustainable green travel for employees, or, offering employment opportunities for those furthest from the labour market.

2.17 More detail on the projects supported is provided at Appendix 1.

### **3. Financial Implications**

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

### **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.

### **6. External Consultees**

6.1 No external consultations have been undertaken.

### **7. Recommendations**

7.1 That the Panel notes progress on activity to improve business productivity, specifically the Business Basics Fund project and the Productivity Pilot.

### **8. Background Documents**

None.

### **9. Appendices**

Appendix 1 – Productivity Pilot Projects Summary

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## Productivity Pilot Projects - Summary

A summary of the successful projects is provided below:

- (1) Leeds-based SME investing in a new barcoding system to improve stock management as well as a range of new assembly cells to improve productivity and reduce errors in the production process. The business will also undertake 5s training (a recognised pre-cursor to Six Sigma).
- (2) A small business in Bradford investing in new equipment to reduce bottlenecks in the manufacturing process, which is impacting negatively on productivity. The business will also introduce 'Poka-Yoke' techniques, which aim to eliminate product defects by preventing, correcting, or drawing attention to, human errors as they occur.
- (3) A small Leeds business investing in an advanced laser machine in order to reduce bottlenecks in production and improve productivity. The business has also committed to undertaking a lean production programme, completing a skills audit to support the upskilling of existing staff and paying all non-apprenticeship staff at least the Real Living Wage (currently £9 per hour).
- (4) A large business from Kirklees investing in new robotic drills and cell automation equipment to broaden its manufacturing capability and diversify its customer base. Additionally, the business will offer training to all employees around adaptive manufacturing techniques, and will offer other manufacturers the opportunity to visit and share productivity expertise. It has also made a commitment to paying all employees the Real Living Wage within two years.
- (5) Kirklees-based SME extending its premises to accommodate new machinery, which will increase capacity and productivity. The business has also committed to undertake a skills audit and work with local schools over the next 12 months.
- (6) Bradford-based SME investing in a range of more technologically advanced equipment and software to increase efficiency and productivity. The business has also committed to developing a skills plan (including apprenticeships) and undertaking an energy audit, to identify ways to reduce waste and its use of energy and water.
- (7) A small business in Leeds fitting out new, larger premises and investing in more advanced technology/equipment to increase productivity and enable the business to meet recognised industry quality standards. The business has also committed to achieving the 'Qualicoat' quality standard by October 2020 (an internationally-recognised accreditation in their sector) and to pay small business suppliers in accordance with the Prompt Payment Code.

The outputs for each project are bespoke to the projects themselves, but below are some common ones:

- Reducing machine set-up times;
- Reducing work in progress time;
- Improving stock-picking accuracy;

- Increasing output per worker;
- Increasing production capacity;
- Increasing hourly production rate;
- Reducing waste;
- Reducing machine set up times;
- Increasing internal rate of return;
- Reducing idle time; and
- Increasing net profit.

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

**Date:** 28 May 2019

**Subject:** Trade and Investment

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**Director(s):** Henry Rigg, Interim Executive Head of Economic Services

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

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## 1. Purpose of this report

- 1.1 To provide an update on Trade and Inward Investment activity since the last Business, Innovation and Growth Panel.

## 2. Information

### Forward plan 2019/20

- 2.1 Following approval of the Trade and Investment forward plan at February's BIG Panel meeting the plan was formally approved at the Leeds City Region Enterprise Partnership (LEP) Board meeting on 26 March 2019.

- 2.2 The team will now work towards implementing the areas of activity and updates will be provided in future papers.

### Sector and International Business Development Activity

#### MIPIM Cannes

- 2.3 Leeds City Region continued to inspire and attract national and international interest in its seventh year of exhibiting at MIPIM Cannes. This was supported by five local authority partners and over 40 private sector sponsors combining to form a 140+ delegation promoting the region over the week.
- 2.4 Leeds City Region Trade and Investment team was awarded a commendation by FDI Award Magazine for project wins during MIPIM.
- 2.5 The Future Parks project concept for an interactive cultural theme park focussed on innovation in food and agriculture located near Harrogate, and led by Fallon's and Bond Bryan, won the MIPIM 2019 "Best Futura Mega Project"
- 2.6 Leeds City Council used MIPIM as a platform to launch the marketing of the former International Pool site, whilst private sector partners PWC, Arup and

Yeme Architects were prominent in their promotion of opportunities to invest in Bradford.

- 2.7 The Leeds City Region evening reception “Channel 4 – A Game Changing Opportunity” was our most successful to date in terms of audience attracted and positive feedback received.
- 2.8 Media and press related to MIPIM generated 45 pieces of positive coverage and over 420,000 Twitter and 100 social media posts from @InvestLCR across the event.
- 2.9 An independent evaluation of MIPIM UK and Cannes activity will be completed by June 2019 and will inform our future approach.



#### Business of Design Week (BODW)

- 2.10 BODW is an annual flagship event in Hong Kong and is known as one of the most significant events on Asia’s design calendar. It is a week-long multi-disciplinary event providing a valuable platform across industries and sectors to network, exchange ideas and explore new business opportunities. In 2019, the UK is the partner country for BODW, which presents potential international opportunities for business and organisations in Leeds City Region.
- 2.11 Leeds City Region hosted two delegations from Hong Kong looking to engage with businesses and organisations in the region on the opportunities emerging from BODW. On 14 March, we hosted two roundtables as part of the ‘Great British Design’ UK roadshow. This is a year-long campaign looking at how design and design thinking is innovating the products and services within both business and social contexts. The key event in this campaign will be BODW in December 2019. This was followed by a series of events on 26 April, focussing specifically on the Universities, the creative sector and a visit to the Yorkshire Sculpture Park.

#### Up Your Game

- 2.12 Up Your Game was a business to business matchmaking event organised by Enterprise Europe Network (EEN) taking place alongside the Yorkshire Games Festival on 7 and 8 February 2019. The aim of this event was to explore potential collaboration, ideas, innovation and investment in animation,

games, motion graphics, VFX, Augmented Reality and Virtual Reality, bringing together the games developers with other businesses who could benefit from the use of gaming technologies. The LEP supported EEN its drive to encourage more overseas buyers to attend the event. As a result, ten overseas companies were present and participated in 26 meetings with local companies. Over two thirds of them reported that co-operation was a possible outcome.

#### Hangzhou delegation visit to Leeds

- 2.13 As part of the follow up activity from the Leeds City Region visit to China and Hong Kong last September, a delegation from Hangzhou visited Leeds in April 2019 to attend the Leeds Digital Festival. The delegation was led by Zhan Guoping - Deputy Secretary General, Hangzhou Municipal Government, alongside government officials and businesses. This was an opportunity to celebrate the Leeds-Hangzhou sister city relationship and showcase our digital and creative sector to one of the leading Tech cities in China.

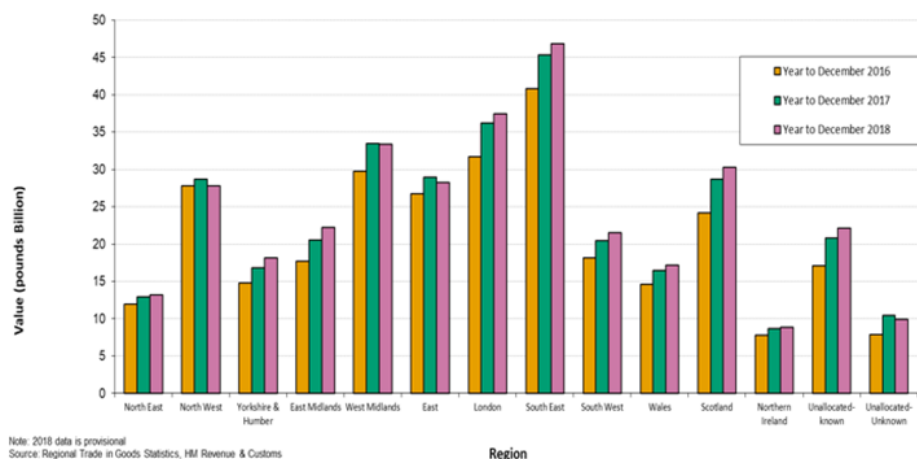
#### Upcoming planned activities

- 2.14 Kada Research has been commissioned to undertake a review of international trade activity and potential opportunities in the creative sectors in Leeds City Region. The outcome of the review will be reported to the next BIG Panel meeting in September 2019.
- 2.15 The Trade Team is now actively engaged with the organisers of Business of Design Week to develop opportunities for local organisations to participate in the showcase and speaker opportunities at BODW. We are also working with the Northern Powerhouse and the Department for International Trade (DIT) on forming a UK delegation to BODW in December 2019. This is anticipated to have a significant representation from the City Region, and recruiting relevant businesses to participate will be a priority in the coming months. Introductions to suitable interested businesses would be appreciated.
- 2.16 Planning is underway for the City Region's attendance at Arab Health 2020, building on the work already undertaken over the last two years. As with the above, the team would welcome recommendations for any businesses in the City Region that would benefit from taking part in next year's Arab Health.
- 2.17 Planning has commenced for attendance at London Tech Week during June 2019 to showcase the City Region's tech strengths, build profile and attract new investment. The team will collaborate with inward investors and pioneering businesses in the digital technology sector to reflect the world-leading capabilities that exist in the City Region.

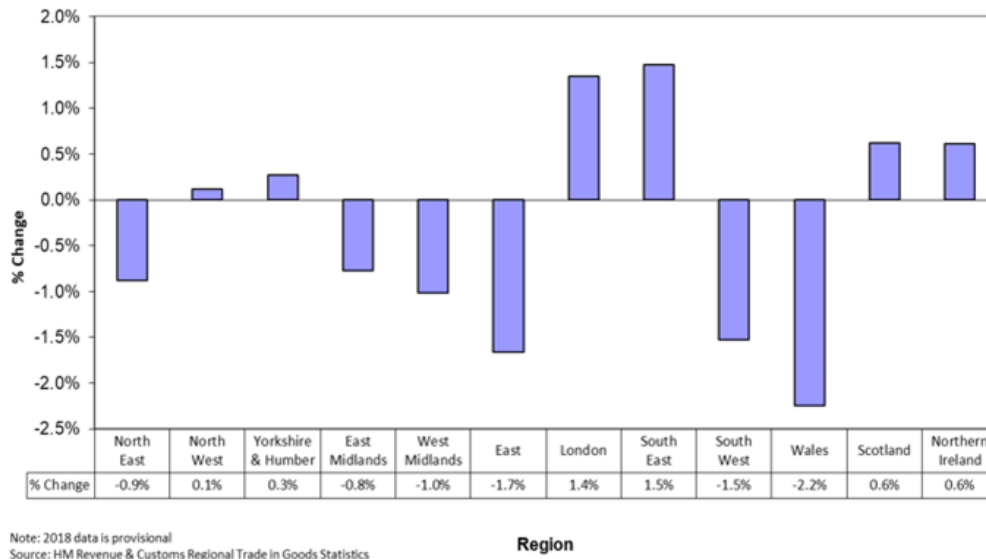
#### Trade

- 2.18 In the year to December 2018, the value of UK trade in goods exports increased by 2.6% compared with the same period last year. There was an increase in annual export value for all English regions except the North West, the West Midlands and the East. Yorkshire and the Humber has continued to grow and saw an increase of 7.8% over the same period. For the 12 month period ending December 2018, Yorkshire and Humber accounted for 5.4% of

UK exports. Between 2016 and 2018 the value of exports from all nine English regions saw an increase.



2.19 The number of UK exporting businesses increased by 0.9 % between quarter four 2017 and quarter four 2018, from 109,700 to 110,800. The number of businesses in Yorkshire and Humber grew by 0.3% over the same period.



2.20 In common with other regions, the top five export destinations for goods from Yorkshire and Humber are mainly EU markets, with the USA being our second largest export partner.



Region	Top 5 partner countries				
	1	2	3	4	5
North East	Netherlands	Germany	USA	Spain	Belgium
North West	USA	Germany	Irish Republic	Netherlands	France
Yorkshire & the Humber	Netherlands	USA	Germany	France	Belgium
East Midlands	Germany	USA	France	Singapore	Irish Republic
West Midlands	USA	Germany	China	France	Irish Republic
East	USA	Germany	Netherlands	Belgium	France
London	USA	Germany	Netherlands	Hong Kong	France
South East	USA	Germany	China	Netherlands	France
South West	USA	Germany	France	UAE	Irish Republic

Note: 2018 data is provisional

Source: HM Revenue & Customs Regional Trade in Goods Statistics

- 2.21 The British Chambers of Commerce Quarterly Economic Survey for Q1 2019 shows the balance of manufacturing firms reporting improved export sales fell from +20% to +14% in this quarter, compared with Q4 2018. The balance of service sector firms reporting improved export sales fell to +0%, down from +14% in Q4 2018
- 2.22 After reporting a fall in export orders in the previous quarter, the EEF/BDO Manufacturing Outlook for Q1 2019 shows that export orders have remained stable at 12%. They also report that the EU remains the largest market for international orders, albeit with a fall from 59% to 48% of businesses reporting positive demand conditions. The EU is followed by North America, Middle East and Asia markets.
- 2.23 MHCLG recently approved the extension to Export for Growth – subject to local ESIF Sub-Committee approvals. This would mean that delivery of activity, particularly grant funding, can now continue through to December 2019 ensuring a seamless approach to trade support in the region during such a critical period. The support available via the project continues to be promoted via the LEP Growth Service, particularly to the circa 1,000 SMEs being supported by the Growth Managers.

### Investor development

- 2.24 In partnership with the Department for International Trade (DIT), the LEP continues to engage with a number of foreign-owned companies based within Leeds City Region. Since the team's creation in May 2018, over 100 meetings have taken place and the team has helped safeguard/create in excess of 300 jobs. This has been by assisting local business leaders to make the case at parent company level for additional investment.
- 2.25 To further strengthen the relationships with these key companies, a number of investor roundtables will be held throughout the current financial year. On 14 May 2019, the team collaborated with West Yorkshire Consortium of Colleges to host a chemical manufacturing skills roundtable, with the aim to understand the challenges in the sector and what role the public sector can play in addressing them.
- 2.26 DIT recently confirmed additional funding which has secured the team and its remit until March 2020.

## Inward Investment Activities and Performance

- 2.27 A further eight project successes were added in March 2019, bringing the total number of successful project wins for 2018-19 to 27. These will collectively create 1,933 jobs and safeguard 608.
- ANDigital – A digital company which support clients to reach their digital aspirations. A new investment in to Halifax creating 83 high value roles.
  - Northcoders – A company set up to provide coding bootcamps. A second location in Leeds alongside Manchester, creating five jobs.
  - MLL Telecom - A specialist telecommunications company in Leeds which designs, delivers and manages secure voice and data network solutions, creating ten jobs.
  - Leach Colour Ltd - Expansion of Huddersfield site and new investment in machinery, creating seven new jobs.
  - Retention of US owned automotive business based in Halifax following successful award of a significant contract, safeguarding 150 jobs and creating 20 new jobs.
  - Supported the relocation and expansion of a textiles business to a new UK HQ in Craven creating two new jobs.
  - German manufacturer of nonwoven abrasives invested in new product lines creating five new jobs in Halifax.
  - Chiorino - Relocation to new UK HQ, creating five new jobs in Wakefield.
- 2.28 The pipeline of new enquiries continues to be healthy, with 12 new enquiries received in March and April 2019.
- 2.29 The Digital Inward Investment Fund is being expanded to provide small grants to indigenous digital and creative businesses as a change to the existing programme. This change was recently endorsed by the Combined Authority's Investment Committee and will be implemented later in 2019.
- 2.30 The Trade and Investment team has represented the region on a key piece of work being led by The Growth Company on behalf of the NP11 Chairs to identify and reinforce the key economic priorities of the Northern Powerhouse. This involves a re-fresh of the economic growth ambitions / scenarios outlined within the original Independent Economic Review of the North and will inform the NP11 Chairs' dialogue with UK Government surrounding future trade and investment resource and activity.

**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. Staffing Implications**

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

**6. External Consultees**

6.1 No external consultations have been undertaken.

**7. Recommendations**

7.1 That the BIG Panel notes and comments on the progress made to date on delivery of the above.

**8. Background Documents**

None.

**9. Appendices**

None.

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

**Date:** 28 May 2019

**Subject:** **Business Support**

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**Director(s):** Henry Rigg, Interim Executive Head of Economic Services

**Author(s):** Henry Rigg and Melissa Liburd

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## **1 Purpose of this report**

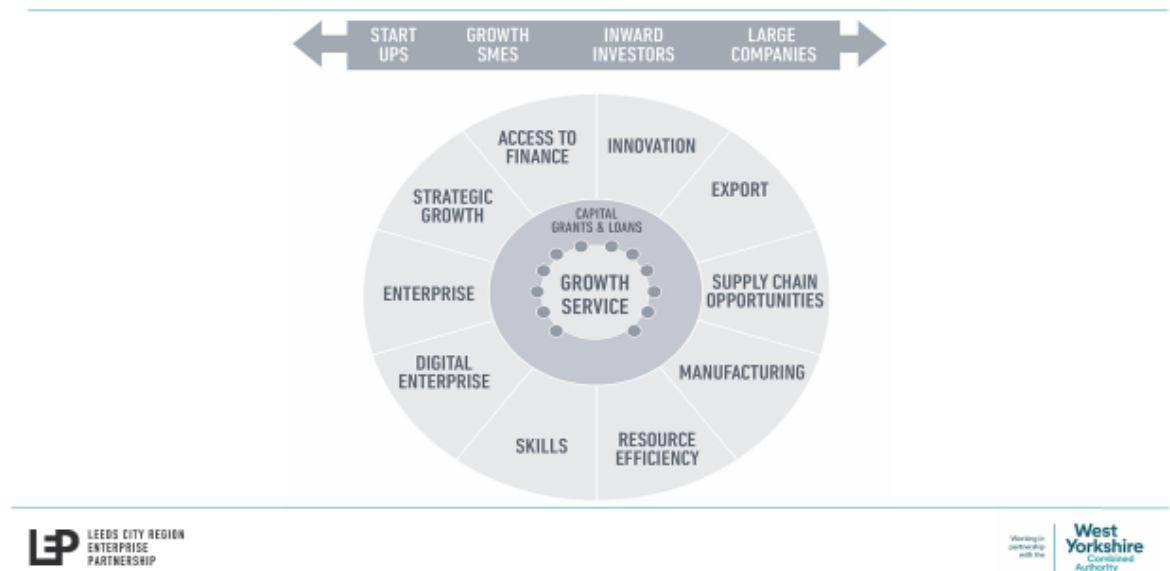
- 1.1 To provide the Panel with an update on business support activity being undertaken, including the LEP Growth Service, the Business Growth Programme, the Resource Efficiency Fund, Access Innovation, Strategic Business Growth, Travel Plan Network, the Northern Powerhouse Investment Fund, Investment Readiness and Business Resilience.
- 1.2 In addition, to seek views from the Panel on the proposed changes to the guidance and criteria for the Business Growth Programme as set out within Appendix 2.

## **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 (DIT) 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. The figure below shows the eco-system of business support in the City Region and how this is integrated within the LEP Growth Service model.

**Figure 1 : Business Support Eco-System**



2.2 Figure 2 below sets out a logic model for the City Region's business support provision as part of the policy framework for the emerging local industrial strategy. This also reflects the importance of providing our uniquely large SME base with a cohesive and progressive programme of support, underpinned by a continued emphasis on Digital, Innovation and Low Carbon as priority areas.

**Figure 2: Business Support Policy Logic Model**

## Business support policy logic model

**CONTEXT:** The long term vision for the City Region economy is *'to be a globally recognised economic powerhouse that creates good growth, jobs and prosperity'*. Important in realising this ambition is private sector leadership driving a more productive region. The productivity gap is growing between Leeds City Region & the wider UK (& other advanced economies). This is a problem because real terms living standards can only be increased sustainably by increasing productivity. As described in the city region's policy framework, driving up productivity and growth requires an environment that enables businesses to start-up, innovate, trade and invest.

**RATIONALE:** e.g. There is a wealth of evidence that suggests business practice has a significant role to play in business productivity. The Leeds City Region has a productivity gap with the UK, driven by a longer tail of unproductive firms, below average private sector investment in innovation, lower levels of skills and weak competition. Business support plays a significant role in addressing these issues, providing advice, guidance, funding and mentoring to help businesses grow and become more productive, which ultimately supports increased living standards.

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACTS
<ul style="list-style-type: none"> <li>European Regional Development Fund</li> <li>European Social Fund</li> <li>Local Growth Fund</li> <li>BEIS (DIT &amp; Growth Hubs)</li> <li>LCR Business Rates Pool</li> <li>Innovate UK / KTN</li> <li>Universities / HEFCE</li> <li>British Business Bank &amp; EIB</li> <li>Business-match</li> </ul>	<ul style="list-style-type: none"> <li>LEP products (capital grants, Access Innovation, SBG, REF, Investment Readiness, TPN, Productivity Pilot and IG Outcomes)</li> <li>NPIF</li> <li>Export for Growth</li> <li>Manufacturing Growth Programme</li> <li>Knowledge Transfer Partnerships</li> <li>Ad.Venture</li> <li>Digital Enterprise</li> </ul>	<ul style="list-style-type: none"> <li>Businesses supported</li> <li>Grants provided</li> <li>Private investment leveraged</li> <li>Co-operation between businesses and research institutions</li> <li>Skills and training</li> </ul>	<ul style="list-style-type: none"> <li>Jobs created</li> <li>Increased exports</li> <li>New products to market</li> <li>Follow on investment</li> <li>Increased research and innovation</li> <li>Enterprises established</li> <li>Resource efficiency</li> <li>Increased skills</li> </ul>	<ul style="list-style-type: none"> <li>Economic output</li> <li>Increased productivity</li> <li>More firms engaged in R&amp;D</li> <li>Increased business scale ups</li> <li>Higher skilled jobs</li> <li>Improved living standards</li> </ul>
<b>EXTERNAL FACTORS:</b> e.g. macro-economic, devolution, Brexit, national policy, business demand, other business support providers				

## 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 and/or sustain. This includes those delivered directly by the LEP and those available via partner organisations.

### Progress to date

- 2.4 Table 1 below highlights the annual service performance against the headline targets for 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 March 2019
SMEs supported - light-touch & intensive (including enquiries/support from LEP products and services plus events)	2750	2920
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	693
Intensive support to SMEs (including support from Growth Managers, and the LEP's core business support products)	900	1510
Delivery of Business Advice Pop Up events (with 7 in the 20% most deprived parts of the country)	12	13 (7 in 20% most deprived)
Proportion of businesses supported likely to recommend it	85%	86%
Service Expenditure (combined budget) <ul style="list-style-type: none"><li>- BEIS (£512,500)</li><li>- Business Rates (£88,000)</li></ul>	£600,500	£555, 659 (£512,500 - BEIS) (£43,159 - BR)

- 2.5 The service has exceeded its annual target for 2018/19 to provide support to 2750 individual businesses. 2920 individual SMEs received support between 1 April 2018 to 31 March 2019, of which 693 were intensively supported by the team of SME Growth Managers. 1,510 businesses have received support from the range of LEP business support products, namely Resource Efficiency Fund, Access Innovation, Strategic Business Growth, Business Growth Programme and the Growth Managers.
- 2.6 Table two below presents the new service targets for 2019/20, and progress against these will follow in the next Panel update.

**Table 2: Headline targets 2019-20.**

<b>Target Measure</b>	<b>Target</b>
SMEs supported - light-touch & intensive (including enquiries/support from LEP products and services plus events)	3,025
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
Intensive support to SMEs (including support from Growth Managers, and the LEP's core business support products)	1035
Delivery of Business Advice Pop Up events (with over half in more disengaged / disadvantaged parts of the City Region)	14
Proportion of businesses supported by the Growth Service likely to recommend it	90%
Service Expenditure (combined budget) - BEIS (£512,500) - Business Rates (£44,841)	£557,341

### Service developments

- 2.7 The expansion to the service, and specifically to the SME Growth Manager function, commenced on 1 April 2019. Supported by the European Regional Development Fund (ERDF), it will provide a cohort of the City Region's larger SMEs with a more intensive account-management support function via the recruitment of 8.5 new Growth Managers. This project is also known as Business Resilience as it focusses on supporting firms to adopt longer-term approaches to financial and risk planning. Further information on the project is provided at 2.47 below.
- 2.8 The service continues to provide feedback to BEIS from businesses across the City Region about the impact of Brexit. This supports the Government's aim to capture more 'real time' intelligence from businesses about the perceived, and reported, effects of Brexit. Since the start of the recording period in January 2019, 63 businesses from a range of sectors across the City Region have provided feedback on the actual or likely impact on their operations, and on the activity they are undertaking in response to the challenges and opportunities.
- 2.9 The service delivered the latest Leeds City Region SME Support Network event on 5 March 2019 in York. The events are for public sector business support professionals to share best practice and 'on the ground' intelligence on issues affecting their clients. They also provide the opportunity to keep up



to speed with the latest business support offers from all partners. The York event focussed on Brexit and particularly the practical information and support available to businesses from Government and other key stakeholders. Over 50 people attended and guest speakers included West and North Yorkshire Chamber of Commerce, the Department for International Trade (DIT) and BEIS. The service also sponsored a Brexit 'health-check' workshop delivered by the Mid-Yorkshire Chamber of Commerce in March 2019 in Huddersfield.

- 2.10 The latest Professionals' Perspective Network event for private sector business intermediaries was held on 21 March 2019, and this also concentrated on the impact of, and preparations for, Brexit. The event was also supported by a representative from BEIS and DIT, who presented on the benefits of trading under the British brand globally, pre and post-Brexit. The session was also used to explore how the LEP and its partners can help accountants, solicitors and business funders better communicate key messages to their clients about the wide range of support available to businesses in the City Region. This has contributed to the current 'Let's Talk More' business engagement campaign.
- 2.11 The service recently participated in a pilot with HMRC and BEIS focussed on the identification of businesses with high growth potential. It involved HMRC writing to approximately 1,500 businesses in the City Region whose recent performance put them in a high growth category. The letters informed the businesses of this and then specifically invited them to contact the Growth Service to find out more about the LEP's high growth support via the Strategic Business Growth Programme (SBG). The pilot commenced in late March 2019, and resulted in almost 100 enquiries to the service. To date, this has yielded almost 80 detailed discussions with businesses and 48 referrals to the SBG programme. Subsequently, seven of the businesses are now in receipt of the full package of support from the programme, with 24 others going through the diagnostic approach.
- 2.12 SME Growth Manager meetings over the last quarter featured presentations from the University of York on the Product and Process Innovation (PAPI) programme, from Leeds City Council on the next phase of Digital Enterprise and from Combined Authority colleagues on the latest support for firms to take on Apprentices. These meetings are held every month to support the professional development of the Growth Managers and the Gateway team, whilst building strong working links with key partners.
- 2.13 The service continues to participate in the Northern Powerhouse Growth Hub Network and attended the latest regional meeting on 14 March 2019. The team are assisting other growth hubs within the network by sharing best practice around the service's evaluation framework. This framework has been developed to better understand and evidence the impact of the service on businesses who have accessed support from the LEP.
- 2.14 Support is also ongoing for the Better Business for All (BBFA) Regional Group. The York based SME Growth Manager attend the business insight training for regulators on 26 March 2019 as a guest speaker. This was

designed to help regulators better understand the role of the Growth Hubs, and the work of SME Growth Managers, particularly in relation to the proactive engagement of businesses. Following the session, the Growth Manager produced a document for the regulators with practical tips on the support available for businesses, and will now attend a team meeting with the City of York Council's Public Protection Team to better align the support offer within the York district.

#### Marketing and communications

- 2.15 The marketing strategy focuses on three priority areas, as part of the wider 'Let's talk real business' marketing theme:
- 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
- 2.16 Ten case studies, including video case studies, are now in the production phase featuring a range of businesses and sectors across the City Region that have received support from the LEP and its local and national partners. A full range of case studies can be found at <http://www.the-lep.com/case-studies/>.
- 2.17 To help increase awareness of the Growth Service, work is taking place to better target intermediaries as influencers of SMEs. The key messages from a session held with business intermediaries in March 2019 was that they wanted straightforward sharable LinkedIn content and to add more value to their clients. As a result a 'Let's talk more' campaign was launched in early April. There is a specific web page for intermediaries now on the LEP website [http://www.the-lep.com/for-business/let-s-talk-more-\(1\)/](http://www.the-lep.com/for-business/let-s-talk-more-(1)/)
- 2.18 Over 12,000 business contacts across the City Region are in receipt of the SME eNewsletter on a quarterly basis. Featured content over the last quarter included promotion of the Pop Up Business Advice cafés, support to recruit Apprentices, the Scale-up institute's national survey of high growth firms and the Innovate UK Regional briefing. Please see <https://mail-the-lep.com/t/3LTT-FFI7-4782RMB83/cr.aspx>
- 2.19 Social media activities underpin all of the marketing campaigns and initiatives. A social media campaign was used to promote all of the Business Advice Pop Ups to end of March 2019, as well as the latest 'Let's talk more campaign' and other district-based events. This included the Kirklees Business Conference on 13 March 2019, which the service exhibited at.
- 2.20 The team of SME Growth Managers continue to be proactive in coordinating/facilitating district-based business engagement activities. The SME Growth Manager for York delivered an additional six masterclasses in partnership with the private sector, which attracted 104 attendees and a positive feedback response of 97%. Business topics included:- 'marketing on a shoestring', leadership, social media and use of Google analytics. In addition, one of the Bradford Growth Managers is working with local accountants to

better engage with, and increase take-up of mainstream business support from, parts of the Asian business community.

- 2.21 The SME Growth Manager for Selby supported the delivery of Selby Business Week (4-8 March 2019). Over 230 businesses attended various seminars and networking events, including workshops on Cyber Crime (Police Regional Crime Unit) and Making Tax Digital. Local businesses, including Lambert Engineering in Tadcaster, shared their own growth stories, challenges and successes, including a focus on apprenticeships and leadership and management. The weeklong event resulted in 26 new business contacts for the SME Growth Manager and further information about the event can be found here <https://www.selby.gov.uk/news/media-releases/business-week-coming-selby>
- 2.22 The team worked with the SME Growth Managers and local businesses to deliver 13 Pop-up Business Support Café events throughout the 2018-19 financial year, exceeding the original target of 12. The 'Pop-Up' model involves business experts volunteering their time to advise owners of smaller or start-up firms on such important topics as marketing, business planning and access to finance. The final two sessions of 2018-19 were delivered in Holmfirth (27 February 2019) and Bradford (20 March 2019).
- 2.23 The above 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. Over the course of the 2018-19 financial year, 175 individuals attended these sessions representing 150 business. 491 individual advice sessions were delivered, equating to 165 hours of business support. Feedback on the events has been consistently high since the launch of the 'Pop-Up' approach in 2016, with 90% of attendees rating them as good (29%) or excellent (61%). **Appendix 1** also provides further information about the impact of the events.

#### Business Growth Programme (BGP)

- 2.24 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.
- 2.25 An additional £7m was recently secured for the programme from the Growth Deal allocation that takes the total allocation to £49.7m. Of this, £5.38m 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 on BGP 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 Apr 19)
Expenditure	<b>£44.32m</b>	Committed - £32.89m Actual - £28.48m
New Jobs Created	4,100	Committed – 5,435 + 1,693 safeguarded Actual – 4,012 + 1,682 safeguarded
Businesses Supported	No contractual target	Committed - 587 Actual – 525
Number of Grants Awarded	765	Committed - 709 Actual – 615
Public/ Private Sector Leverage	£168.5m	Committed - £346.8m Actual - £268.4m
Total Cost Per Job	No contractual target	Committed - £6,052 Actual - £7,099

2.26 As the above table highlights, the programme is achieving a good return in terms of cost per new job at just over £7,000. This figure would be lower if the 1,682 actual safeguarded jobs were included in the overall calculation and would equate to £5,002 per job.

2.27 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.

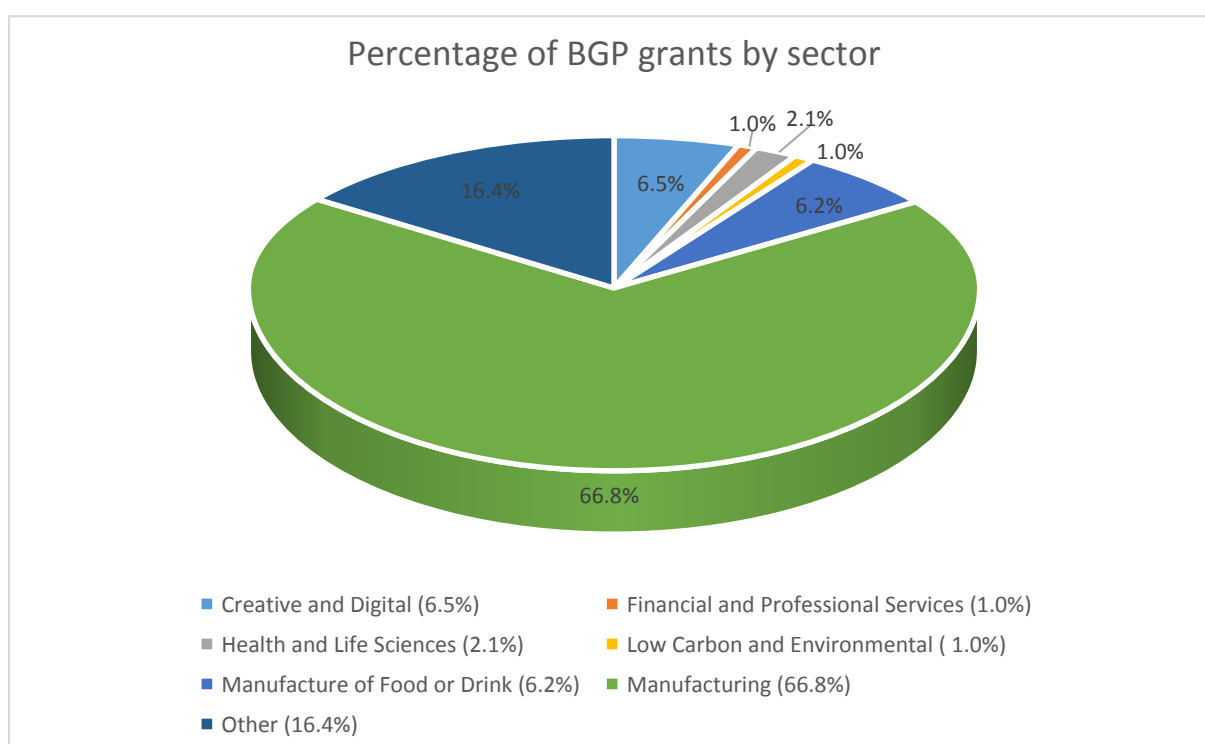
**Table 3: Grant awards by district April 2015 – March 2019**

District	SME Stock %	Number of Grants	% of Number of Grants	Value of Grants	% of Value of Grants
Barnsley	5.94%	37	5.37%	£1,770,039	5.51%
Bradford	14.48%	107	15.53%	£5,394,814	16.78%
Calderdale	7.50%	100	14.51%	£4,880,503	15.18%
Craven	3.22%	12	1.74%	£338,285	1.05%
Harrogate	8.48%	23	3.34%	£882,612	2.75%

Kirklees	13.48%	120	17.42%	£4,866,358	15.14%
Leeds	26.75%	204	29.61%	£9,072,630	28.22%
Selby	3.44%	3	0.44%	£203,800	0.63%
Wakefield	9.45%	67	9.72%	£4,202,740	13.07%
York	7.24%	16	2.32%	£532,656	1.66%
<b>TOTAL</b>	<b>100.00%</b>	<b>689</b>	<b>100.00%</b>	<b>£32,144,437</b>	<b>100.00%</b>

2.28 The below chart presents the number of grants awarded via sector, and highlights the continued importance of the programme to the manufacturing sector, which accounts for 67% of all grants awarded since April 2015. The next most popular sectors are Creative and Digital and Food and Drink, with 6.5% and 6.2% of grant awards respectively. Other sectors represent 16.4% of grant awards. Projects defined as 'other' mostly relate to industries associated with the manufacturing sector such as warehousing and distribution.

**Figure 2: BGP Grants by Sector April 2015 – March 2019**



2.29 Following ongoing dialogue with businesses, local partners and members of the Business Investment Panel in the last six months, some proposed changes to the programme guidelines and criteria are set out at Appendix B. These relate to sector priorities for grant support, support for property fit-out projects, additionality and added value, applications from large businesses and multiple applications. The views of Panel members on the options for

change are welcomed, and will be used to inform a revised report for consideration by the LEP Board in June 2019.

#### Inclusive Growth

2.30 Following the report on Inclusive Growth commitments at the February Panel meeting, and subsequent consideration at the LEP Board in March 2019 and the Combined Authority in April 2019, the revised criteria will be applied to the BGP from 1 July 2019 onwards. This will incorporate the following changes : -

- The Inclusive Growth criteria and commitments will be applied to all business support programmes with a grant element, and not just to BGP.
- The grant value at which businesses will need to adopt the Inclusive Growth commitments will be lowered from £50,000 to £25,000, with businesses receiving grants between £25,000 and £50,000 being required to make one commitment.
- All businesses in receipt of support from the LEP will be strongly encouraged to make Inclusive Growth commitments, and will be supported to do so irrespective of the nature or value of support provided.

#### Productivity Pilot

2.31 A more detailed update on the Productivity Pilot is provided at Item 7.

#### Resource Efficiency Fund

2.32 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. Outline ERDF business cases for a successor project in both Leeds City Region and the York & North Yorkshire LEP area have been approved and a combined full application is now being developed for submission on 12 June 2019.

2.33 Over 600 businesses have engaged with the project to date, with 582 having received visits from the two REF Managers. These have resulted in 317 assessments being commissioned and the completion of 305 assessment reports that identified clear actions the firms can take to improve their resource efficiency. 130 grant applications have been approved, and payments totalling £747,974 having been made to 113 businesses. Progress is in line with contractual targets.

2.34 Projects approved since the last meeting of the Panel have mostly been in the areas of basic heating, lighting, insulation and compressor investments. However, a standout project is one to install a large waste wood heater that will save the client around 400,000 kWh of gas and 74t of CO<sub>2</sub>e

(equivalent). To date, total estimated CO2 savings across all approved projects stands at 2,338 tonnes per annum, with estimated savings to the recipient-businesses of £590,502 per annum.

#### Access Innovation

- 2.35 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 £1,000 and £30,000 towards the cost of working with the relevant expert organisations.
- 2.36 To date, the programme has engaged with 504 SMEs, 263 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. 45 applications for grants have been approved to date with a collective value of £1,764,340. A further four applications, totalling £140,000, have been received and are currently being appraised. A number of other applications of varying sizes are currently being developed with support from the Innovation Growth Managers.
- 2.37 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 Innovate UK, Knowledge Transfer Network, local manufacturing alliances, National Physical Laboratory, Digital Catapult, Centre for Process Innovation, Advanced Manufacturing Research Centre, Translate/Grow Med-Tech, the Yorkshire & Humber Academic Health Science Network and universities within and outside the City Region.
- 2.38 As part of the Access Innovation programme, the Combined Authority is working with RTC North to support SMEs to increase their innovation capacity. RTC commenced delivery of its range of specialist workshops and advice sessions in November 2018, and so far 142 SMEs have been supported. The provision will run until Autumn 2019 and will provide a stronger pipeline of innovation-ready SMEs that can be supported by innovation support products available in the City Region.
- 2.39 In response to the interim evaluation, and the team's experience to date of delivering the programme, the Combined Authority submitted an outline business case in November 2019 for additional European Regional Development Funds. Subsequently, an invitation to submit the full business case by 28 May 2020 has been received. This is for a successor programme to commence on completion of Access Innovation in December 2019. The working title for the programme is 'Connecting Innovation', to signify the importance of connecting ideas and links between partners, and connecting

SMEs with funding and support from across the regional and sub-regional innovation eco-system.

- 2.40 The Connecting Innovation proposal incorporates the feedback from the innovation discussion item at the November 2018 Panel meeting. In particular the proposal recognises the importance of clear, coordinated, communication and messaging to support a culture of innovation within the region. Whilst the new programme will not begin until 2020, planning is underway to undertake market research with SMEs to identify appropriate messaging. The Panel will be kept apprised of the application's progress

#### Strategic Business Growth – support for SMEs with high growth potential

- 2.41 The £6.12 million Strategic Business Growth (SBG) project is being delivered by the LEP and its appointed contractor, Winning Pitch. It is part-funded by the European Regional Development Fund (ERDF) and the Local Growth Fund (LGF). It 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.
- 2.42 Ongoing analysis on the coaching support requested by SBG clients to date has identified that the three most common areas where support is being requested are process improvement, strategic business planning and marketing/sales respectively. 286 businesses are now fully engaged with the programme (against a target of 302 by December 2019), including 223 that have developed detailed growth action plans with their allotted account managers. Of these, 265 have benefitted from a combined total of over 6,299 hours of coaching support and 83 have attended on average two or three of the 42 workshops available.
- 2.43 The three most recently delivered workshops (delivered in Kirklees, York and Bradford respectively) covered: - 'Execution of the Strategic Plan', 'Retaining and bringing out the best in your Talent', and 'Find, Win, and Keep International Business'. These workshops have been consistently rated as very good or excellent by the attendees. Advisory support provided to date has led to the creation of 332 jobs, against a target of 596 by January 2020.
- 2.44 As of April 2019, 35 grant applications had been approved for businesses across the City Region representing all of the priority sectors of the current Strategic Economic Plan (low carbon & environmental, finance & professional services, digital & creative, food & drink, healthcare & life sciences and manufacturing). Grants are contributing towards investments in new machinery and fit-out/refurbishment of premises. The combined value of the 35 investment projects is over £3.9m, with the grant contribution being £907,771. Of these, 26 had completed their investments by the end of March 2019, receiving £575,583.53 in grants and providing over £1.82m of private sector match in the process. These grant projects are anticipated to lead to the creation of approximately 180 new jobs.



### Investment Readiness and Business Resilience

- 2.45 The new £1.4m Investment Readiness project is on target to commence delivery from June 2019 for just under three years. Supported by ERDF and the Leeds City Region Business Rates Pool, it will provide SMEs across the City Region with advice and guidance on the full range of finance products available in the marketplace, and will assist them to access the finance they need to grow and/or sustain their operations. The support will be accessed via the Growth Service and will be a new referral product for the Growth Managers, as well as for all business support professionals working on other projects e.g. Export for Growth, Manufacturing Growth Programme and the Northern Powerhouse Investment Fund.
- 2.46 A £1.23m tender opportunity to appoint a primary contractor for the project closed in March 2019, and there was a healthy response from the market. Full appraisal of the returned tenders was undertaken in April 2019 and the successful organisation will be announced in mid/late May 2019.
- 2.47 Following direction from the Panel at its recent meetings, a new Business Resilience project is now being implemented as an enhancement of the City Region's Growth Service. The project will be an extension of the current Growth Manager function with an additional 8.5 to be recruited, and will aim to put some of the City Region's larger SMEs in stronger positions to benefit from future challenges and opportunities via more intensive account-management. This will focus on the importance of financial health and sustainability through more intensive support with such issues as cash-flow management, property requirements and supplier / customer relations.
- 2.48 Brexit preparation will clearly be an important factor with the above, but the project will also cover other new and emerging factors that firms may need to prepare for, such as clean air legislation, major infrastructure schemes (e.g. HS2) and ongoing changes to the national living wage.
- 2.49 The project successfully secured £1.7m from the European Regional Development Fund in March 2019, with match-funding provided from the Combined Authority and the City Region's Local Authorities via the current Growth Manager funding arrangement.

### Travel Plan Network

- 2.50 The Travel Plan Network (TPN) provides its business members with expert advice and guidance on implementing sustainable travel solutions, including discounted public transport offers, cycling initiatives and relocation support. A total of 93 new members joined the network between 1 April 2018 and 31 March 2019, exceeding the target of 90 for 2018/19. An additional five businesses have joined the network since 1 April 2019 as part of a new target

- to recruit 96 new members in 2019/20. An additional 10,000 employees now benefit from the membership. The total membership now stands at 453 businesses that employ almost 300,000 staff between them.
- 2.51 Work is nearing completion on the shared travel plans developed at ten multi-occupied sites, as part of phase one of a European-funded project (Interreg, SHARE-North). The project is delivered by a consortium of nine partners from across the North Sea Region (led by the City of Bremen) and is designed to promote shared mobility as a strategy to:
- Reduce transport emissions
  - Regain street space for people
  - Enhance quality of life and public health
- 2.52 The current Interreg programme deliverables focus on the promotion of shared mobility and sustainable travel solutions to businesses across West Yorkshire. This is achieved by the TPN team supporting employers at the identified sites to adopt and implement collaborative approaches that facilitate modal shifts within the commuting patterns and business travel of their employees. The partners are also developing a manual for municipalities, designed to share best practice about shared mobility in the North Sea Region.
- 2.53 Phase One of the project commenced in January 2016 and runs until 31 July 2019. In December 2018, the programme secretariat approved an extension, with Phase Two commencing on 1 August 2019 and completing on 31 December 2021. The new project deliverables for the team include:
- Providing more intensive support to 50 businesses located in electoral wards of the City Region with challenges related to clean air.
  - Delivery of an educational campaign involving social media designed to promote shared mobility to young people at schools and colleges.
  - Development of an interactive web platform for TPN members to share information about shared mobility and facilitate peer to peer learning.
  - Delivery of an additional series of car park management sessions to businesses in the Leeds City Region.
- 2.54 The team attended a partners' meeting in Bremen in early April 2019, and delivered a presentation to members of the public and local councillors on the work of the TPN team. This resulted in requests from partners for help to establish their own sustainable travel networks, and also generated further enquiries about the partnership between transport operators in West Yorkshire, including delivery of the MCard offer to businesses and the public.
- 2.55 Seven car park management workshops were delivered at various business premises during Quarter One of 2019. 70 individuals attended the workshops representing over 50 businesses, and feedback was extremely positive with 96% of attendees being satisfied or very satisfied. The team will build on these sessions by producing practical guides for businesses to be made available online.
- 2.56 The TPN monthly news updates provide a platform to promote various sustainable travel campaigns, initiatives, offers to network members, good news stories and peer to peer support. Campaigns over the last quarter have

mainly focused on cycling and have included: - CityConnect's Access a Bike scheme for apprentices <https://cyclecityconnect.co.uk/accessabike>, Cycle to work scheme <https://www.cyclescheme.co.uk/community/featured/10-cyclescheme-myths> and Ride to Work Week (25 -31 March 2019). Members continue to be directed to wider business support provision, including pop-up business advice café events, and are encouraged to participate in consultation exercises involving major travel schemes throughout the region.

- 2.57 Relocation support for businesses moving to or within the City Region continues to be a key focus of the team's work. A number of events and staff travel days have been held at Premier Farnell, and at Wellington Place (for HMRC and NHS Digital) and Kirkstall Forge (for BUPA). Preparations are underway to support the imminent relocation of Channel 4 employees to the City Region.

#### Northern Powerhouse Investment Fund

- 2.58 The Northern Powerhouse Investment Fund (NPIF) formally launched on 22 February 2017, and has since invested £21.2m of funding in 92 businesses in Leeds City Region. £1.2m has been invested in 33 businesses via the micro fund, £10.6m has been invested in 46 businesses via the debt fund, and £8.4m in 13 businesses via the equity fund.
- 2.59 NPIF promotion has continued by both the appointed fund managers and the British Business Bank 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. This activity is contributing to the high level of take-up in the City Region, which has so far received 18% of total enquiries resulting in 25% of all applications to the fund across the North. Across the whole fund, Growth Hubs and the LEPs' Access to Finance teams continue to be a strong and fertile source of introductions with good conversion rates into completed deals .

#### Channel 4

- 2.60 The team continues to support with the delivery of Channel 4 related initiatives, particularly in relation to nurturing and supporting the local TV and production community.
- 2.61 During April and May 2019, the team has overseen the development of a concerted marketing campaign to raise the awareness of the LEP's existing business support schemes amongst the TV and production sector. This has involved working with Channel 4 to showcase the support available Channel 4 event in Leeds on 29 May 2019.

- 2.62 Following a recent recruitment process, the role of Creative Industries - Opportunity Programme Manager, has been filled. This will play a critical role in designing and managing a range of initiatives to develop the TV and Screen industries ecosystem in Leeds City Region.

### **3 Financial Implications**

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

### **4 Legal Implications**

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

### **5 Staffing Implications**

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

### **6 External Consultees**

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

### **7 Recommendations**

- 7.1 That the Panel notes the progress made to date on delivery of the above business support projects, programmes and services.
- 7.2 That the Panel considers, and provides views on, the proposed changes to the guidance and criteria for the Business Growth Programme (BGP) as set out within Appendix 2.

### **8 Background Documents**

None

### **9 Appendices**

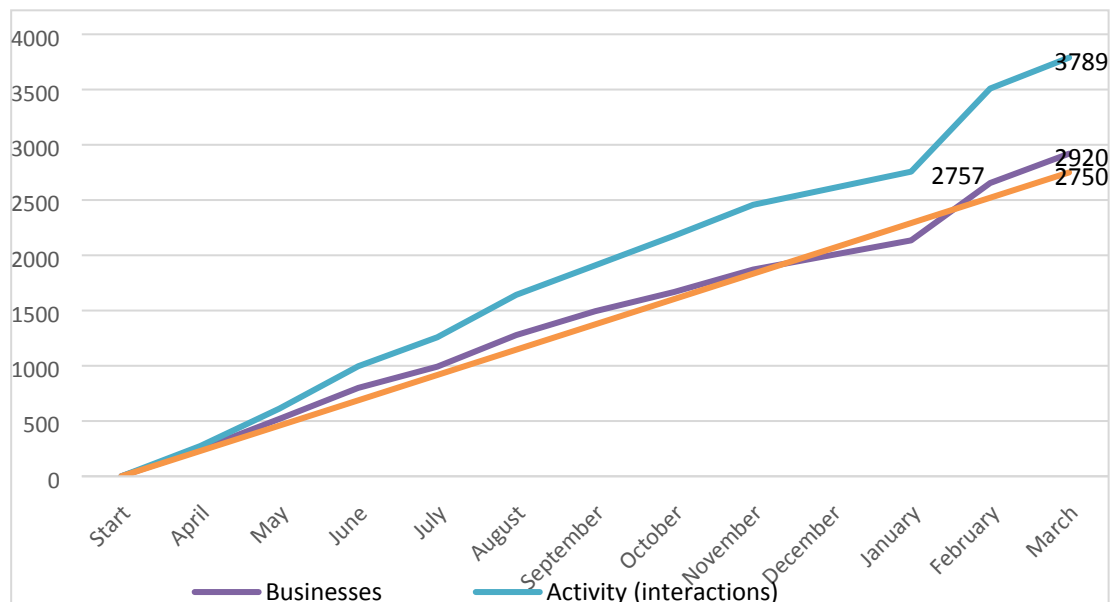
Appendix 1 – LEP Growth Service Performance Update  
Appendix 2 – Proposed Changes to the Guidance and Criteria for the BGP

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

### 1. Analysis of business enquiries 2018/19

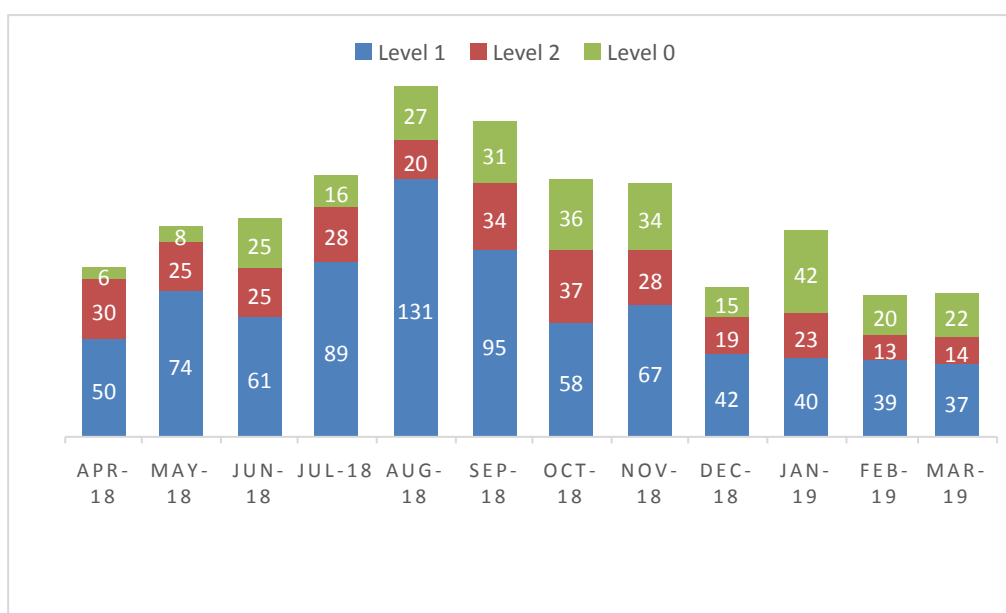
1.1 Performance data continues to be monitored on a weekly, monthly and quarterly basis. The following information presents more detail on the performance of the service (Gateway and SME Growth Managers) throughout 2018-19. It also provides comparisons to previous years in order to assess progress over time.

1.2 The annual service target was to support 2750 individual businesses. The team surpassed this target supporting 2920 individual SMEs (purple line below) providing 3789 separate interactions (blue line) overall. The trend of businesses accessing multiple business support products continued throughout the year signalling a high level of confidence with the service, and the wider business support ecosystem.



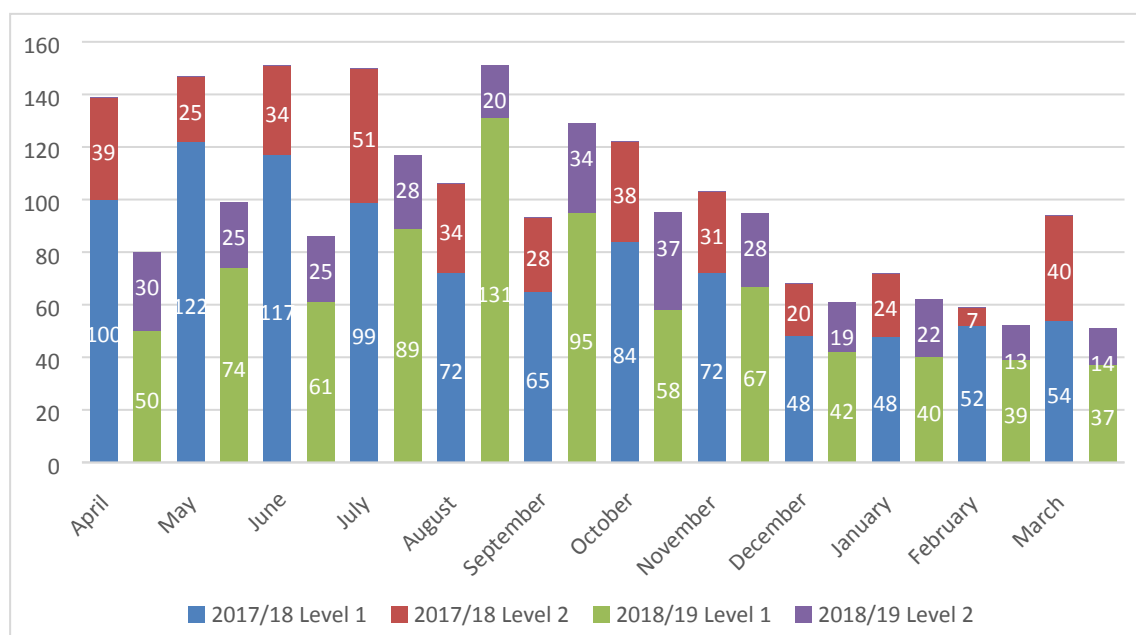
**Figure 1: Projected and actual performance against the 2018/19 annual target (Apr 18 – Mar 19).**

1.3 Light touch support (Level 1) and more intensive support (Level 2) enquiries represent the Service's target client group. A spike in gateway enquiries was recorded throughout the summer months following targeted activity by the Gateway team to engage businesses from the 2017 business survey. Although the gateway witnessed a slight dip in the number of enquiries in Q3, this trend is almost identical compared with the corresponding period of the previous two financial years, with December being the most quiet month.



**Figure 2: LEP Growth Service enquiries to the Gateway by client group (Apr 18 – Mar 19)**

Light touch support (Level 1) and more intensive support (Level 2) enquiries represent the Service's target client group in 17-18 and 18-19. Higher levels of activity generally appear to correlate with the launch of new products and services, proactive business engagement via the helpline and dedicated marketing campaigns.



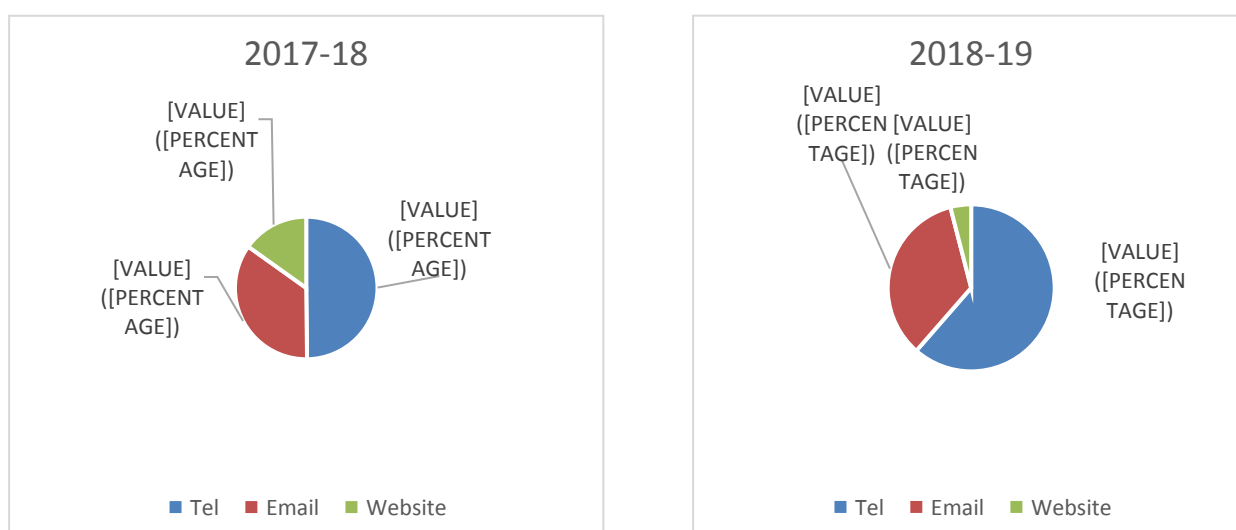
**Figure 3. LEP Growth Service enquiries to the Gateway by client group (Apr 17 – Mar 18 and Apr 18 – Mar 19)**

- 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 shows a modest decrease in the overall number of enquiries into the gateway compared with 2016-17 and 2017-18 but a slightly higher number of enquiries from non-target business typically (pre start and early stage). The reduction in dedicated marketing campaigns to promote the service throughout 18-19 compared with 2017-18 and number of business support schemes launched throughout the year (Apprenticeships and Skills Service) may in part account for lower volumes of traffic to the gateway.

**Table 1: Total enquiries into the gateway (July 15 – Mar 19)**

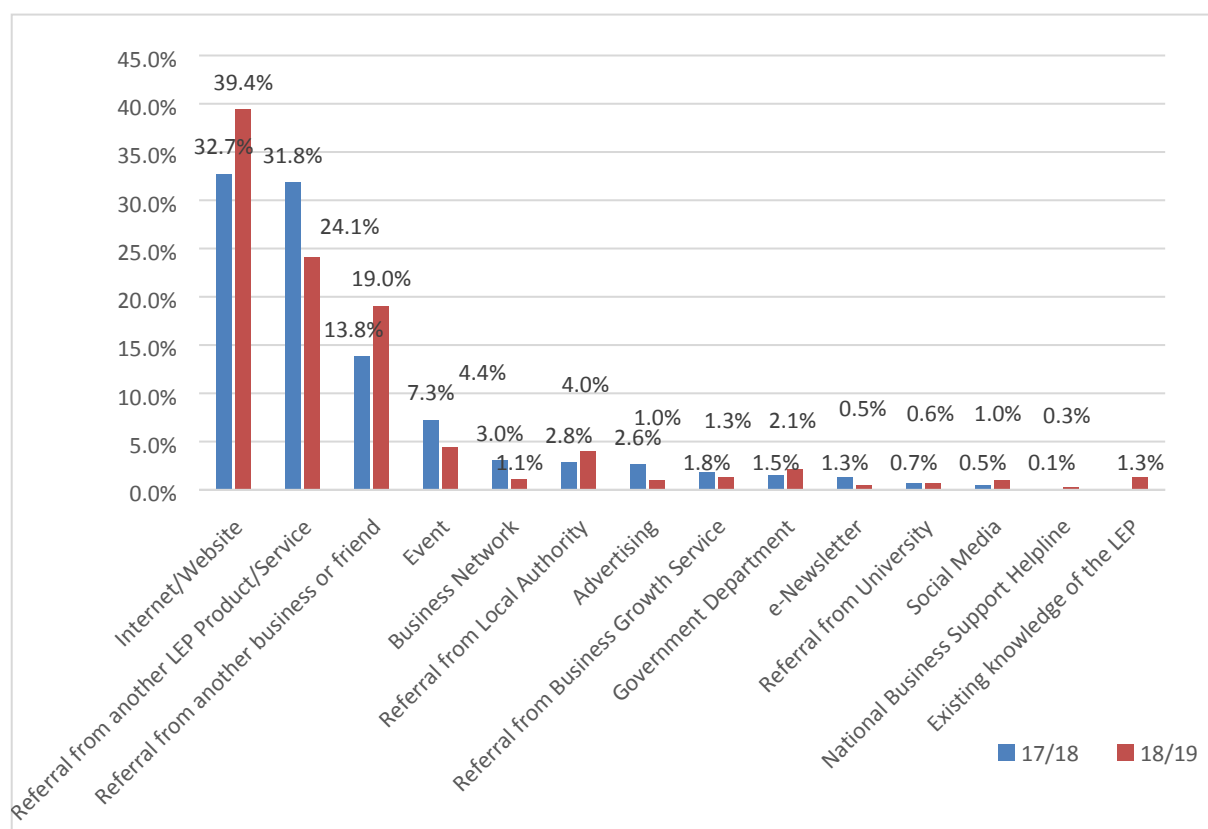
Enquiry Type	Total July 15 – April 16	Total April 16 – Mar 17	Total April 17 to Mar 18	Total April 18 to Mar 19
Non Target Client Group	410	252	210	282
Light Touch Referral Level 1	427	911	933	783
In depth Intensive Referrals Level 2	235	390	375	296
Total Gateway Interactions	1072	1553	1518	1361

- 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. 61% of enquiries were fielded by telephone in 18-19 increasing by 11% compared to the previous year.



**Figure 3: Gateway channels of enquiry (Apr 17 – Mar 18 and Apr 18 – Mar 19)**

- 1.6 Every business contacting the gateway is asked how they have heard about the service. Internet searches continues to be the most commonly cited response, remaining unchanged since this information was monitored. Interestingly, there has been a notable increase in the percentage of respondents who have been referred by another business or friend, helping to promote the service more widely via word of mouth.



**Figure 4: How customers report hearing about the service. Comparison Apr 17 – Mar 18 and Apr 18 – Mar 19**

- 1.7 The Growth Managers worked towards an annual target to collectively account-manage 630 businesses. They supported 1050 businesses, with 695 receiving ongoing intensive support exceeding their annual target of 660. Table 2 below provides a breakdown of the number of clients supported by the managers in their districts.

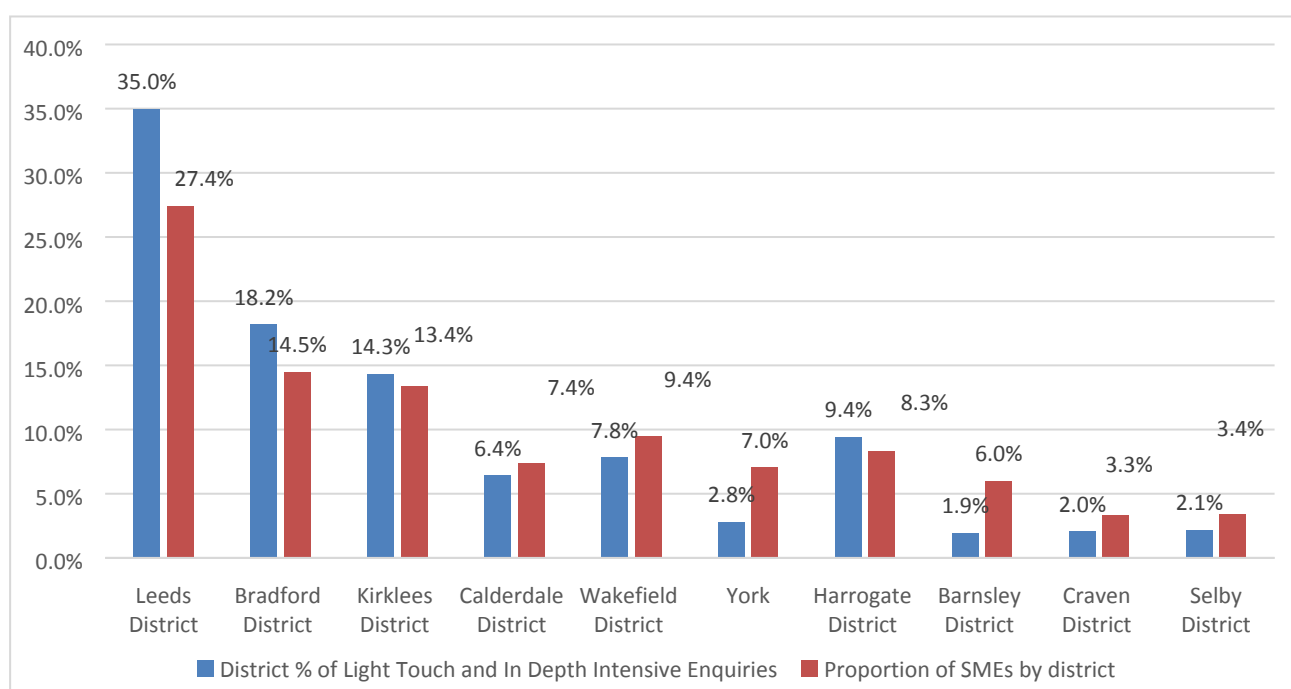
**Table 2: SME Growth Manager clients by district (Apr 18 – Mar 19)**

SME Growth Manager	Total Clients	Intensively Supported
Bradford & Craven (x2 FTE)	194	163
Calderdale (x1 FTE)	100	66
Harrogate (x1 FTE)	89	61



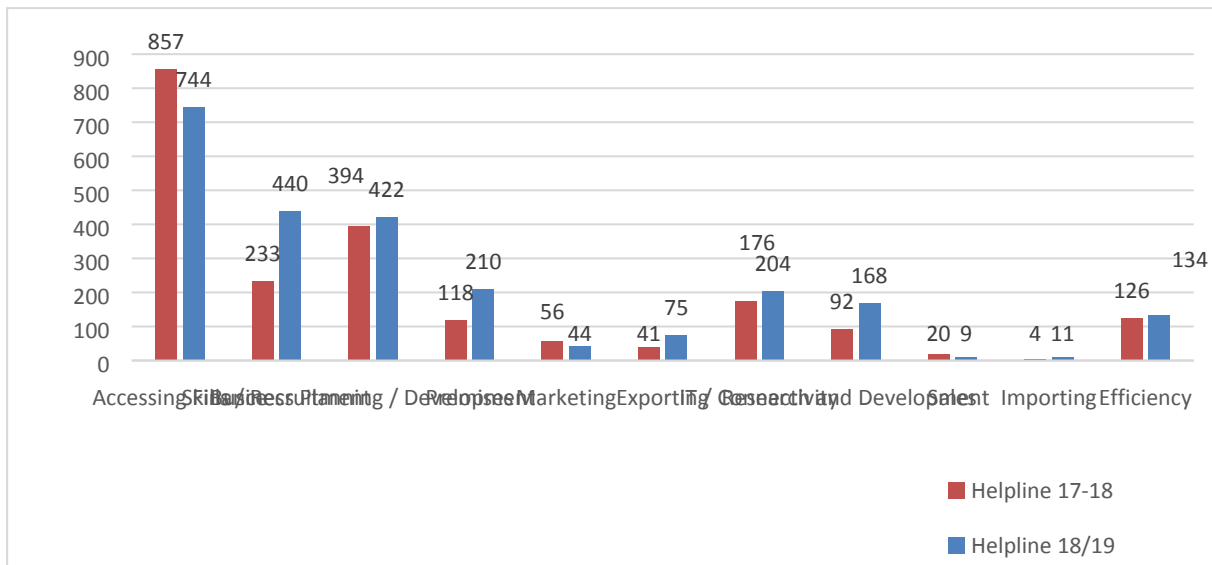
Kirklees (x1.5 FTE)	135	86
Leeds (x2.5 FTE)	244	136
Wakefield (x1 FTE)	100	61
York (x1 FTE)	94	53
Selby (x0.5 FTE)	94	69
<b>Total</b>	<b>1050</b>	<b>695</b>

- 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 and Bradford continue to generate more enquiries than their proportion of overall business stock, as has Harrogate and Kirklees. The proportion of enquiries from each district remained relatively consistent throughout the year.



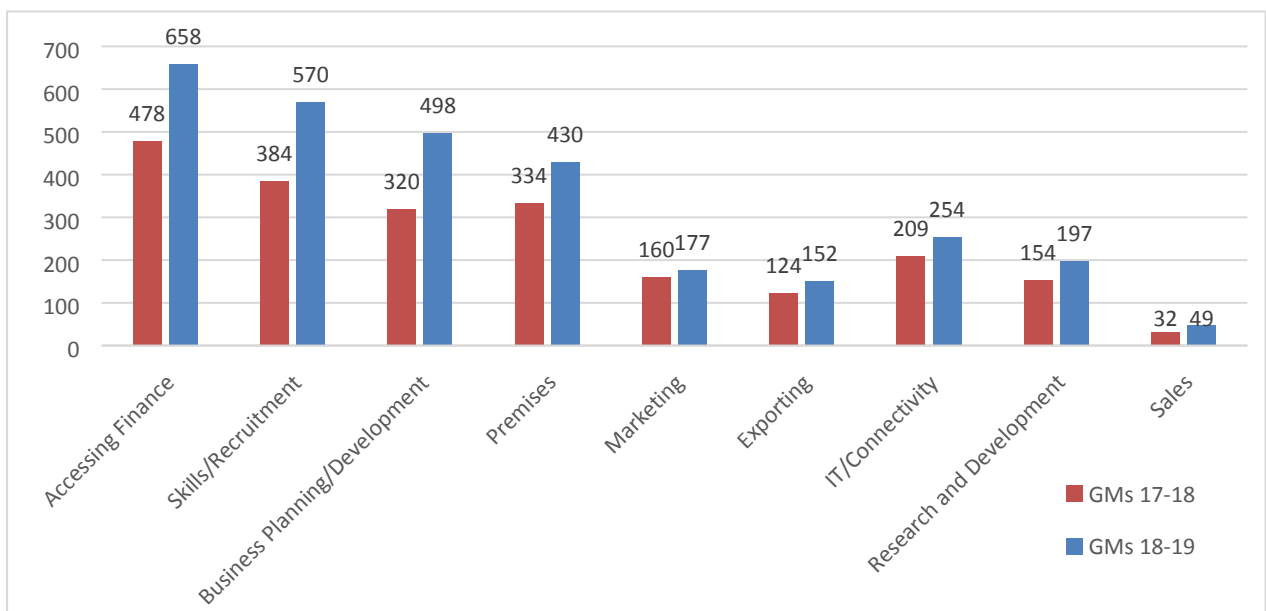
**Figure 5: Enquiries compared to the district-proportion of total City Region business stock (Apr 18 – Mar 19)**

- 1.9 'Access to Finance' continues to be the most popular topic for support for both gateway enquiries and the SME Growth Manager clients, followed by 'Skills/Recruitment' and 'Business Planning'. Interestingly, the request for assistance with Export support has almost doubled on the gateway and increased by 22% for Growth Manager clients compared to the corresponding reporting period last year. This increase could be indicative of the preparations some businesses are making around trade opportunities leading up to the UK's exit from the EU.



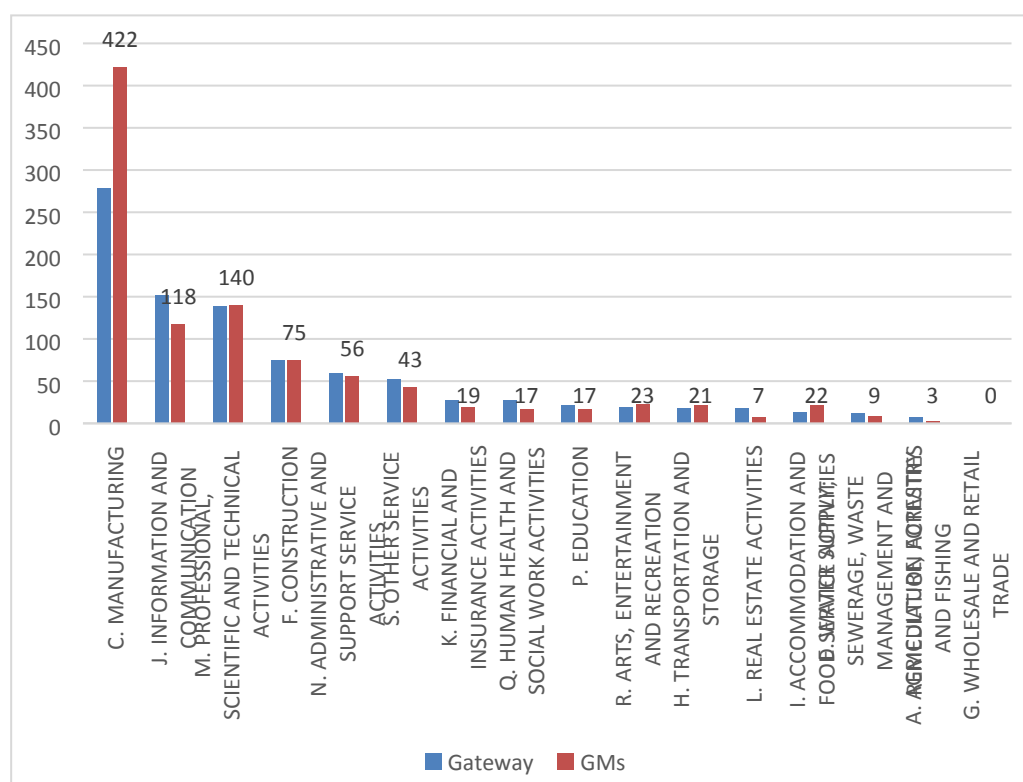
**Figure 6: Topics for business support via the gateway (Apr 18 – Mar 19)**

Compared with 2017-18, there has been a slight increase from SME Growth Manager clients in requests for support across the whole spectrum of services. More notably there was a steady increase over the year in the number of requests for support with premises, exporting and skills. Again this could be indicative of the types of preparations that businesses are trying to make in relation to Brexit, but are also areas that will be better supported through the new ERDF Growth Service project focussing on improving business resilience.



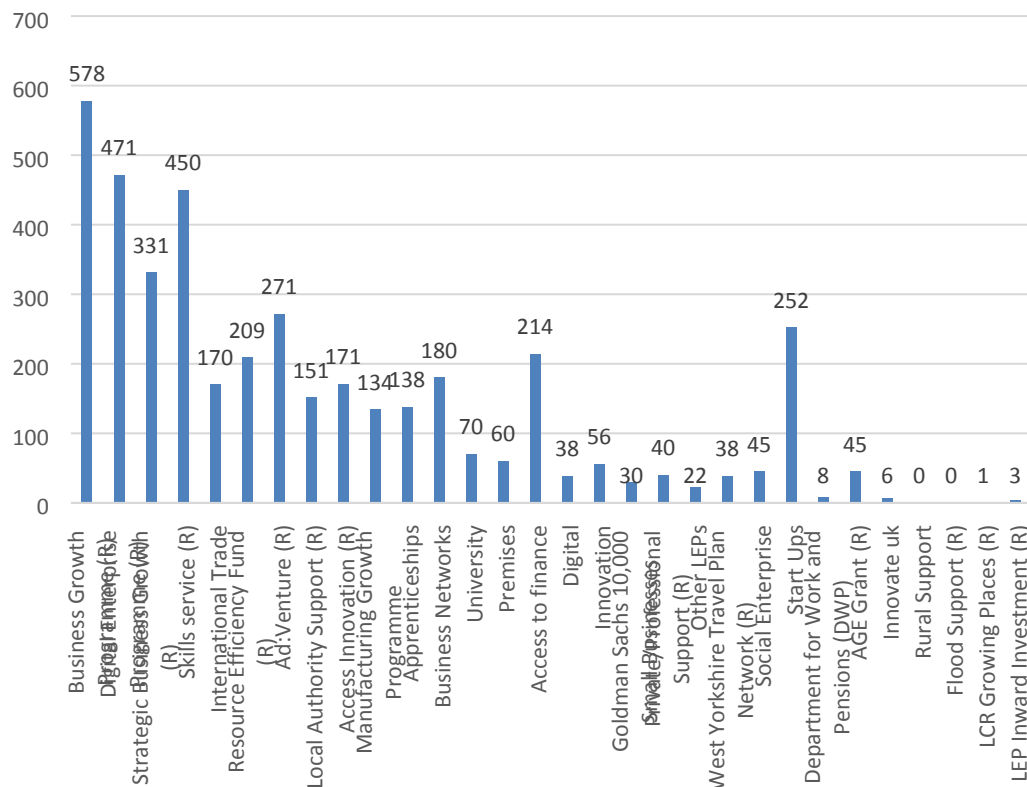
**Figure 7: Topics for business support via the SME Growth Managers (Apr 18 – Mar 19)**

- 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.



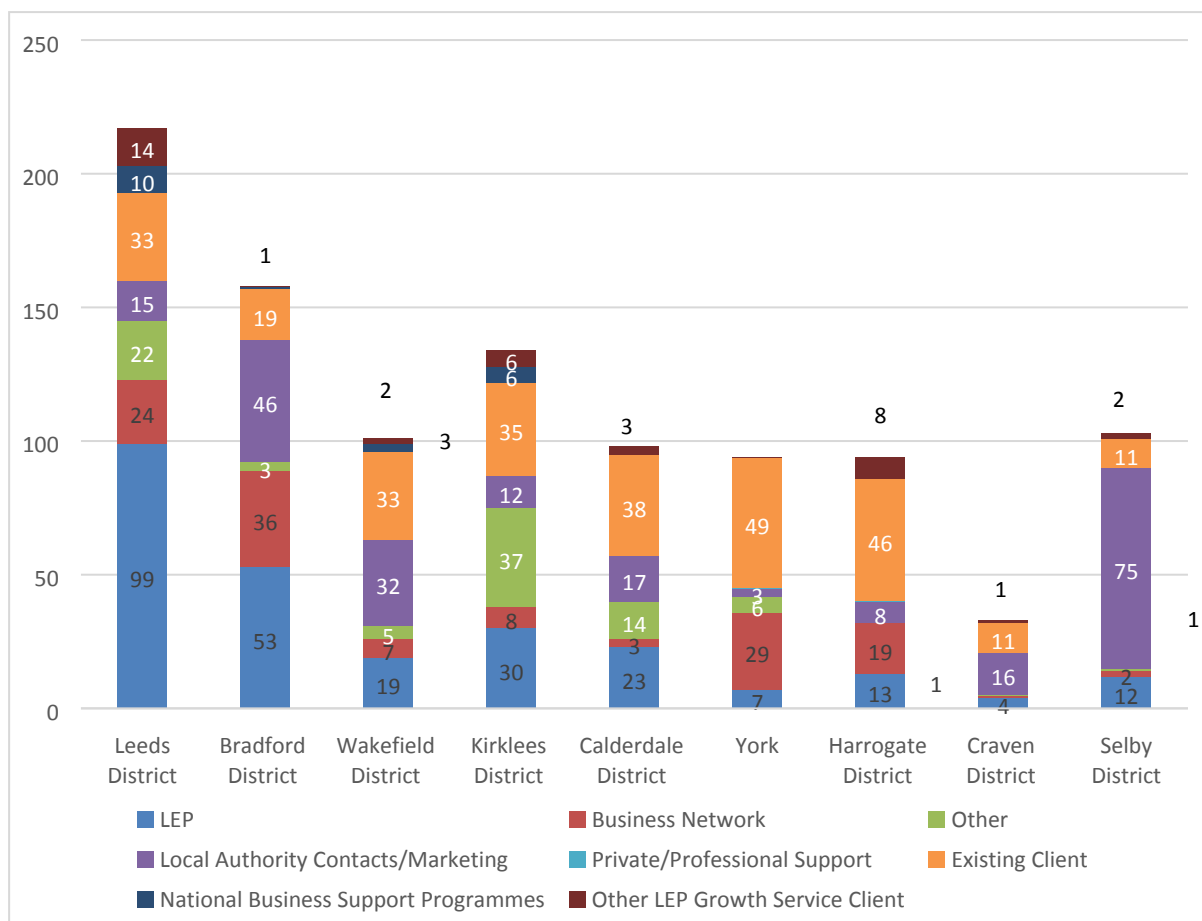
**Figure 8: Percentage of Growth Service clients (Gateway and Growth Manager) by sector (Apr 18 – Mar 19)**

- 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 to programmes over the year is the LEP Capital Grants programme, Digital Enterprise programme, and the Skills Service.



**Figure 9: Number of business support referrals (Apr 18 – Mar 19)**

- 1.12 Business networks continue to be a good source of clients for Growth Managers in Harrogate, Bradford and York in particular. Proactive cold calling has also worked well for the Selby district based Growth Manager captured below as local authority contacts. The use of Social Media, including LinkedIn searches and promotion of events via twitter have also been reported as effective engagement routes by several Growth Managers. This has been captured in the 'Other' category below.



**Figure 10: Source of Growth Manager Clients (Apr 18 - Mar 19)**

1.13 The table below shows the number of Pop-Up Business Advice events delivered across the West Yorkshire districts within the city region. The team marginally exceeded the annual target to deliver 12 of these events by delivering a total of 13 as demonstrated below.

**Table 3: Business Support events Pop-ups per district (Apr 18- Mar 19)**

District	No of events	Delivered in assisted areas
Leeds	3	2
Bradford	3	2
Calderdale	2	1
Kirklees	3	2
Wakefield	3	1
<b>Total</b>	<b>13</b>	<b>7</b>

1.14 Attendees generally report high levels of satisfaction with these events with 90% of attendees rating the events as either excellent or good. 10% of respondents did not provide any feedback.

**Table 4: Satisfaction levels of attendees (Pop Up Advice events, Apr 18 – Mar 19)**

Satisfaction rating	Percentage of overall respondents
Excellent	60%
Good	30%
Poor	0%
No feedback	10%

## Appendix 2

### **Proposed changes to guidance and criteria for the Business Growth Programme – for consideration by the Business, Innovation and Growth Panel – 28 May 2019.**

#### **1. Background**

The Business Growth Programme (BGP) provides grant support of between £10,000 and £250,000 to eligible businesses towards capital related investment (plant, equipment, machinery and premises fit out/refurbishment) that leads to job creation. The programme provides a contribution of up to 20% of cost for small businesses (less than 50 employees) and 10% for both medium sized (50 - 249 employees) and large businesses (250 employees and above).

Since April 2015, the programme has been funded through the Local Growth Fund and currently runs until March 2021, with a total budget of £44.3 million. As of April 2019, £32.9 million had been offered to approximately 600 businesses, with 5,435 new jobs contracted for, against a programme target of 4,100 by March 2021. Actual expenditure as of April 2019 was £28.5 million, with 4,012 new jobs created. The Leeds City Region Enterprise Partnership's (LEP) Inclusive Growth principles have also been embedded in the programme since July 2018.

With demand for the programme still at a high level, budgets reducing and an increasing number of borderline applications being received, it is felt pertinent to review criteria and programme guidance to inform delivery for the remainder of the programme.

#### **2. Sector Eligibility**

Priority in terms of applications to the programme is given to companies operating in the LEP's key growth sectors and/or their direct supply chains, specifically:

- Healthcare and life sciences;
- Digital and creative;
- Low carbon and environmental;
- Manufacturing;
- Financial and professional services;
- Business to business services.

Applications from companies operating outside these sectors are currently considered on a case by case basis. As of April 2019 applications from businesses operating outside the key growth sectors represented 16.4% of all those received and awarded.

The highest volume of applications received from businesses operating outside the key growth sectors are from industries associated with the manufacturing sector such as warehousing and distribution.

There are also a number of on-line retailers that have been supported through the programme. To date, these have been considered on the basis that they have the ability to serve both national and international markets and where they will be creating a significant number of new jobs.

Applications have also been accepted from companies operating outside the key growth sectors where there are significant regeneration benefits, for example, bringing a vacant or derelict building back into use, especially in a deprived ward within the City Region. Applications are not accepted from high street retailers or localised business to consumer services on the grounds of potential displacement.

**At present, it is not proposed to make any changes to sector criteria, however this will be reviewed following the conclusion of the new Local Industrial Strategy. Until then, it is proposed that applications from on-line retailers will continue to be accepted where significant levels of new employment will be created, significant being defined as more than 50 new jobs.**

Feedback from Business Investment Panel (BIP) on 30 April 2019

BIP agreed with the above proposal.

### **3. Additionality/Added Value**

The most common reason for the rejection of applications is around additionality/added value. All applications to the programme are appraised in line with Her Majesty's Treasury Green Book. This includes demonstrating additionality/added value, which is tested by one or more of the following:-

- The grant fills a funding gap;
- The grant accelerates an investment;
- The grant enables an investment to be made on a larger scale;
- The grant influences the location of an investment (where companies are considering competing locations outside the City Region).

All of the above incorporate an element of financial need. During financial year 2018/19 there has been an increasing number of applications being rejected in comparison to previous years on the grounds of lack of additionality/need for support. The key reasons for this being levels of cash at bank held by applicants and the amount of directors' remuneration and dividends taken.

There can be no prescriptive ceiling in terms of what is deemed to be reasonable in terms of levels of cash at bank held, as this will differ greatly by size of business, payment terms to which a business works and levels of working capital required. However, in terms of directors' remuneration and dividends, current guidelines limit it to a maximum of £150,000 per director/shareholder, per annum, averaged over a three year financial period. The average over three years is felt to be fair and is in place to reflect fluctuations a business may experience in trading performance, which normally has a consequent 'knock on' effect in terms of the levels of remuneration and dividends taken.



At present, programme guidance issued to applicants doesn't formally highlight the fact that levels of remuneration and dividends taken (in line with the threshold outlined above), along with levels of cash at bank held, could adversely affect the outcome of an application.

**It is, therefore, proposed that programme guidance is updated to incorporate this and that the £150,000 per annum remuneration/dividend threshold be adopted as policy going forward. The primary rationale for this is to provide clarity for businesses of the policy at pre-application stage, which may influence their decision to submit an application. In turn, this should lead to a lower number of rejections, deferments and appeals.**

#### Feedback from BIP on 30 April 2019

BIP recommended that the £150,000 per annum per director remuneration/dividend threshold be adopted as policy (for grants of between £10,000 and £100,000) and that programme guidance be updated to reflect this.

### **4. Applications from Large Businesses**

Related to additionality/added value, a number of enquiries and applications to the programme were received in 2018/19 from large businesses (over 250 employees), and/or businesses owned by a larger group. Whilst applications are accepted from large businesses, grant awards are capped at a maximum of 10% of eligible capital costs, in line with State Aid regulations. In a number of cases in 2018/19, the grant request was below £50,000, which can make the additionality case less compelling.

**It is, therefore, proposed that applications from large businesses continue to be accepted, but only where minimum total project costs are £750,000 or above, which equates to a minimum grant request of £75,000 and proposed new job numbers are at least 20.**

#### Feedback from BIP on 30 April 2019

BIP endorsed the above proposal and also asked to consider all applications from large businesses at its meetings. At present, it only considers applications over £100,000 from any size of business.

### **5. Productivity Focus**

The City Region's business productivity (Gross Value Added per hour worked) is 86% of the national average. Closing this gap would add £10 billion to the City Region Economy, which, at individual business level predominantly means investing in more technologically advanced equipment, not always requiring additional staff to generate greater levels of output.

In view of the strong presence of manufacturing firms in the City Region, the LEP's economic policy is increasingly focused on how to support those firms to become more productive, especially by investment in new technology, adopting the practices

of Industry 4.0 across supply chains and through ongoing workforce development, including leadership and management.

The programme continues to receive applications from businesses requesting support towards fit-out and refurbishment of new / existing premises. As with the above, the additionality case for grant investments within such projects can be more difficult to prove, particularly if the applicant owns the premises, or, has entered into a lease agreement prior to application. There is also a stronger case for productivity improvements where the applicant is investing in new equipment and technology as opposed to premises. On that basis, and in the context of a reducing overall programme budget, a number of options are open, namely:

- a) Make fit-out/refurbishment of premises ineligible for support on the grounds of limited additionality and lesser alignment with productivity drivers.
- b) Only allow fit-out/refurbishment works as an eligible cost when they form part of a wider package of investment that also incorporates purchase of new plant and machinery, and where the latter represents either 75%, 50% or 25% of total investment costs (to be agreed).
- c) Continue as at present, with each application judged on its merits.

#### Feedback from BIP on 30 April 2019

Overall BIP members felt that fit-out / refurbishment costs should remain eligible as otherwise some important business sectors, such as Creative and Digital and Financial and Professional Services, could be excluded from support. However, members also recognised the pressure on the programme budget and the need to secure additionality and productivity improvements. Therefore, members were minded to support option c) or option b), where the latter capped the proportion of the project related to fit-out / refurbishment at 25%, 50% or 75% of the total cost.

**It is, therefore, recommended that fit-out costs remain eligible, but only when they relate to a capped proportion (25%, 50% or 75%) of the overall capital investment.**

### **6. Multiple Applications**

In September 2017, a multiple applications policy was introduced, which restricts businesses to the submission of three successful applications within a three-year period, or, receipt of a maximum of £250,000 over the same period. The primary rationale behind this was to encourage businesses to plan more strategically about capital-related investments planned over a 12 to 18 month period, and to facilitate engagement with the programme by more businesses.

#### Feedback from BIP on 30 April 2019

BIP was content that the current policy of three successful applications within a three-year period, or, receipt of a maximum of £250,000 over the same period, should be retained.

## **7. Appeals**

Businesses that have their applications rejected currently have the right to appeal in writing within two weeks of the decision being made. Appeals against decisions to reject applications up to and including £25,000 are considered by the Executive Head of Economic Services, with appeals from £25,001 to £250,000 considered by the Combined Authority's Managing Director.

**It is proposed to develop a revised policy for appeals including specific grounds upon which they will be considered.** It is recommended that officers will take forward this work with input from Legal and Governance colleagues, and that future panel meetings will receive updates on the revised process and policy for consideration.

Feedback from BIP on 30 April 2019

BIP members agreed with this approach.

## **8. Next Steps**

Following consideration and recommendations by this panel, the proposals will be considered by LEP Board, with a view to implementation later in 2019.

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

**Date:** 28 May 2019

**Subject:** **Preparing for Brexit**

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**Director:** Alan Reiss, Director of Policy, Strategy and Communications  
Henry Rigg, Interim Executive Head of Economic Services

**Author(s):** Alex Clarke and Henry Rigg

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## **1 Purpose of this report**

- 1.1 To update the Panel on work to prepare and support the City Region's businesses ahead of the UK's withdrawal from the EU, including an update on developments regarding specific products and services should there be a non-negotiated exit from the EU following discussions held with Business, Innovation and Growth panel members in February 2019. A further verbal update on Brexit preparations will be provided at the Panel meeting.

## **2 Information**

### Background

- 2.1 At the last Panel meeting in February 2019, an update was provided on how the Local Enterprise Partnership (LEP) was supporting businesses, people and communities to prepare as the UK leaves the European Union. This work has continued to progress, with a number of programmes, including on investment readiness and business resilience, now in delivery.
- 2.2 It is important that the LEP is well prepared to respond to the requirements of businesses as a result of Brexit and, therefore, economic intelligence will continue to drive any decisions. As indicated in the paper for item 6, the economy continues to show signs of resilience and the UK economy recorded growth in quarter 1 of 2019. However there has been a marked impact on business confidence and investment decisions. The LEP will continue to monitor these dynamics, as well as seek further clarity from central government. Discussions are ongoing with departments to ensure that information and guidance for businesses is up to date and that future decisions on national support programmes and funding are coordinated alongside local offers.

### Current activity

- 2.3 The Growth Service is providing intelligence into the BEIS Growth Hub Network to provide local insight and aid national Brexit preparation. The LEP website has also published Brexit guidance using .gov sources. The current “Europe Checklists” signposting on the “For Business” section of the website has now been enhanced by the addition of a dedicated “**Preparing for Brexit**”<sup>1</sup> **mini-hub** (this went live in January 2019); consolidating a wider range of information and support assets to business in a single resource.
- 2.4 Two business support programmes, Investment Readiness and Business Resilience (an extension to the SME Growth Manager function of the Leeds City Region Growth Service), are also now in delivery. Further details of the progress of these programmes is included in the paper for Item 11. Although not exclusively designed as a direct Brexit response, both of these programmes can be adapted to support businesses in responding to changes in both their business and wider economic environment.

### Next steps

- 2.6 In addition to this activity, due to the ongoing uncertainty on the process of the UK’s withdrawal from the EU, and the potential impact of a non-negotiated exit from the EU, it is right that the LEP continues to prepare what its response might be in the event of a non-negotiated exit. This includes how it could assist businesses in the short-term to overcome potential barriers and challenges, as well as maximise any opportunities.
- 2.7 Following the recent discussions with this Panel’s members, options for specific products and services were agreed in principle at the LEP Board meeting of 26 March 2019. Reflecting the clear views of the Panel members, this did not include any proposed assistance with cash flow management. This is because the Panel felt that, although cash flow pressures could be a consequence of Brexit, support with the issue would be best addressed via a nationally coordinated initiative e.g. in the form of a deferral of VAT payments. Engagement with HMRC on this issue has taken place, and it has been confirmed that preparations regarding the existing Time to Pay scheme and the Business Payment Support Service (BPSS) service, which can help businesses unable to pay in full on time, are underway, with external communications and guidance in preparation.
- 2.8 The options endorsed in principle by the LEP Board in March 2019, for which preparations continue and will be stepped up further if this outcome becomes likely, were:

#### *Brexit Transition Grant Scheme*

The LEP could offer a short run of grants/vouchers:

- to access private sector expertise to assist with financial planning, supply chain mapping/interrogation, deep dive customer analysis, capacity-building

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<sup>1</sup> <http://www.the-lep.com/lets-talk-brexit/>

- of senior management, exploring/developing overseas markets (to complement Government offers) etc.
- to back-fill salary costs of key staff members that are moved on to Brexit-related planning for defined periods
- to support rental costs for businesses that need to use additional warehouse/storage facilities to hold additional stock, particularly for import/export businesses
- to support businesses to meet any new/additional regulatory requirements (including accreditations). This will be very sector/industry-specific.

#### *Capital Grants Programme*

Capital investment grants for businesses, with a focus on safeguarding jobs (replacing jobs created as a core criteria if required):

- Could contribute up to 50% towards capital investment in equipment, technology, premises. This could be split into a 50% grant on investment and 50% on no net job decrease within six months (to demonstrate safeguarding), or a 75% / 25% split on the same basis.
- Key challenge will be to prove that the safeguarded jobs are at risk e.g. minutes of a Board Meeting - financial forecasts would need to be certified by a qualified accountant.
- This could follow the same principles as with the LEP Business Flood Recovery Fund, and utilise existing Business Growth Programme processes.

#### *Advice Service*

Establishment of a bespoke advice response service, linked to the Growth Service but with access to additional private sector expertise:

- it is likely that the Government's national business support helpline will be positioned as the main frontline response service for businesses, so any changes to the Growth Service helpline would need to be coordinated with the national provision
- Would require access to expertise related to financial planning, regulation, overseas labour etc.
- Volume of enquiries is difficult to predict, but likely that this will require further resourcing within the Growth Service. This could either be resourced locally to sit in the growth hub, subcontracted out, or could be a joint venture (perhaps at a Northern LEP level).
- Will require the procuring of external support to ensure availability of advice in a timely manner.

#### *Exporting for Growth Scheme*

EGS (the Department for International Trade's contractor in the City Region for the delivery of export support services) has recently been awarded an extension to the ESIF Exporting for Growth Scheme until the end of 2019. This will support more of the City Region's SMEs to explore, enter or extend activity within export markets.

As reported in item 10, the LEP's trade and investment team are working hard more broadly with businesses and potential overseas markets to increase the

international trade flows from the city region. This work will continue to be an important part of the region's response to the opportunities of exiting the European Union.

- 2.9 To oversee the next steps of these products and to ensure organisational preparedness, an internal group consisting of officers from across the Combined Authority/LEP has been established. The group is responsible for identifying the best use of the circa £180,000 made available to the Combined Authority for Brexit planning and response activity, identifying risks and mitigating actions, and will work closely with key partners as required e.g. Local Authorities, Chambers of Commerce, other business membership / representative, universities and colleges. A wider flexible pool of staff is also being identified, who will be made available to respond to unexpected local economic and business issues caused by the continued uncertainty around Brexit as they arise.

### **3 Financial Implications**

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

### **4 Legal Implications**

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

### **5 External Consultees**

- 5.1 No external consultations have been undertaken in direct production of this report. However, external consultation, particularly with government departments, as well as intelligence gathering from businesses, has taken place on matters related to Brexit. This includes Panel members, and will continue to over the coming months.

### **6 Recommendations**

- 6.1 The Panel is asked to note, and provide any further comment on, the ongoing work to prepare for Brexit.

### **7 Background Documents**

None.

### **8 Appendices**

- 8.1 None