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**Report to:** Leeds City Region Enterprise Partnership Board (LEP Board)

**Date:** 23 January 2019

**Subject:** **Business Innovation and Growth Panel**

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## 1. Purpose of this report

1.1 To provide the LEP Board with a report on the work of the BIG Panel.

## 2. Information

### Innovation

#### Access Innovation

- 2.1 This LEP programme supports businesses to develop new products and processes via a package of advice and funding. To date, it has engaged with over 450 businesses, 235 of which have received one-to-one support from the three Innovation Growth Managers. This has resulted in the development of detailed action plans for each business innovation project. 32 applications for grants have been approved to date with a collective value of £1.42m and a further 23 totalling £445,000 are currently being appraised.
- 2.2 The highest number of enquiries and approved applications to date are from the healthcare and life sciences, manufacturing (including textiles) and digital sectors. As part of the Access Innovation programme, the Combined Authority recently undertook a procurement exercise to appoint an organisation to support SMEs to increase their innovation capacity. RTC North was awarded the contract and commenced its delivery of specialist workshops and advice sessions in November 2018. This will run until July 2019 and will provide the programme with a stronger pipeline of innovation-ready SMEs to take advantage of the funding element of the programme.
- 2.3 The recent mid-term evaluation of the programme has provided some valuable insights into its effectiveness to date, and into how it could be adapted in the future. It found that the programme has been successful in supporting a range of interesting and impactful projects through collaborations between businesses and the knowledge basis. However, it also found that the innovation support available to businesses needs to be more holistic, with less

focus on the grant element, and more focus on the wider innovation support offer available in the City Region from a range of partners.

- 2.4 There is a current opportunity to apply for funding from the European Regional Development Fund for a successor programme to Access Innovation, informed by learning on the current programme, including from the mid-term impact evaluation, and feedback from businesses and other key stakeholders.

This was discussed in detail at the meeting of the Business, Innovation and Growth Panel on 27 November 2018, with the panel members providing valuable input to help inform the next programme application. This included the importance of stimulating the appetite for innovation across a larger proportion of the City Region's SMEs, to be achieved through more targeted communications activity and by broadening the remit of the Innovation Growth Managers to broker in other specialist support. It also referenced the importance of supporting those businesses already engaged in innovation support to diversify into different sub-sectors and technologies to improve their competitive positions.

### Brexit

- 2.5 November's BIG Panel provided an update on the latest economic and business intelligence on Brexit, as well as the ongoing work being undertaken to prepare and support the City Region's businesses ahead of the UK's withdrawal from the EU. Panel members fed back intelligence on the issues facing businesses including stockpiling on both sides of the Channel; the availability of warehousing; awareness levels of 'settled status'; and potential shortages of workers in companies where there is a heavy reliance on EU migrants.
- 2.6 A cross-organisational resource tasked with overseeing, co-ordinating and planning the Combined Authority and LEP response to the UK's exit from the EU has been established. The Combined Authority and LEP will continue to assess and align activity to ensure products and services support sustainability and growth.

### MIT REAP

- 2.7 As part of regular reporting, the Panel was provided at its last meeting with a verbal update regarding the University of Leeds led Massachusetts Institute of Technology Regional Entrepreneurship Acceleration (MIT REAP) programme.
- 2.8 The two year programme started in October 2018 and is designed to promote innovation driven entrepreneurship across Leeds. The next steps for the programme includes stakeholder engagement, data gathering and developing a baseline in order to measure progress.
- 2.9 As part of the programme there is an opportunity for the City Region to host Workshop 3 in January 2020 for the whole of the MIT REAP Cohort 6. This would include bringing to the City Region the central team from MIT and the

other members of cohort 6: Campania, Italy; Central Denmark; Guayaqui, Ecuador; Kentucky, USA; Monterrey, Mexico; Oslo, Norway; Sidney, Australia. In addition to the Workshop itself, the visit would also include an 'Ecosystem Tour' to highlight the regions ecosystem and a 'Global Innovation Gala Dinner'.

- 2.10 With the support of LEP Board members, a bid to host has been submitted by Leeds, with an accompanying letter of support from the Minister for Northern Powerhouse Jake Berry MP. MIT will announce their final decision in May 2018.

### Supply Chain

- 2.11 The University of Huddersfield gave a presentation to the Panel on its recently launched new supply chain development programme that will support SMEs across the City Region to improve their supply chain-readiness. This will be achieved through SMEs benefitting from bespoke packages of support directly informed by intelligence from larger businesses on their exact supplier specifications. This could include assistance to gain the required industry accreditations, support to upskill key staff members and support to improve operating processes. The programme will link closely to the supply chain policy initiative being led by the LEP and Combined Authority on behalf of the Northern Powerhouse 11 partnership.

### Digital Framework

- 2.12 At the last meeting of the LEP Board in November, the Digital Framework was endorsed and adopted by the LEP. A subsequent discussions was held at BIG Panel at their last meeting at which the Panel supported proposals to establish a LCR Digital Overview Group, whilst delegating responsibility for each of the priority areas to various LEP and Combined Authority Panels.
- 2.13 BIG Panel will retain responsibility for driving the work of two priority areas: Digital Opportunities for all businesses and the Digital Sector and these will be fed into the Overview Group via the Chair Andrew Wright and Kersten England.

## **Business Support**

### Business Growth Programme (BGP)

- 2.14 The BGP provides grants to businesses in the City Region towards capital investment (land, building, plant, equipment, machinery) that will lead to new jobs and improvements in productivity.

Table 1: Programme performance against headline targets

Target Measure	6-Year Target (April 15 to March 21)	Achieved (as of Dec 18)
Expenditure	£38.96m	Committed - £30.84m Actual - £26.82m
New Jobs Created	4,100	Committed - 5,105 + 1,693 safeguarded Actual - 3,448 + 1,682 safeguarded
Businesses Supported	765	Committed – 561 Actual – 493
Number of Grants Awarded	N/A	Committed – 661 Actual – 577
Public/ Private Sector Leverage	£168.5m	Committed - £324.6m Actual - £257.6m
Total Cost Per Job	No contractual target	Committed - £6,041 Actual - £7,778

- 2.15 The above table shows good progress against the target to create 4,100 new jobs by the end of March 2021, with just under 3,500 created to date and commitment of a further 1,657 from approved applications. The 1,682 jobs safeguarded are as a result of grants awarded to businesses severely affected by the 2015 Boxing Day floods. The safeguarded jobs are not included in the above cost per job calculations.
- 2.16 A proposal to reduce the maximum amount of grant available to a business in a three-year period from £500,000 to £250,000, and to limit the number of successful applications to three over a three-year period, was recently endorsed by the Business Innovation and Growth Panel. The changes, which are now being implemented, will ease pressure on the overall BGP budget and give more businesses the opportunity to apply. The budget pressure will be further eased as a result of the recent decision to award the programme an additional £7m.
- 2.17 The Inclusive Growth commitments, developed and endorsed by the LEP and Combined Authority, went live on 31 July 2018 for new applicants to the BGP. A full review of the new approach will take place in February 2019, however, an early analysis of applications on the new criteria shows that 87.5% of all contracted jobs from 26 grant-approvals are committed to paying the Real Living Wage or above. It also reveals that the most popular additional commitments from those applicants awarded grants of over £50,000 are related to Sustainable Travel and Low Carbon.
- 2.18 The Call for projects under the Productivity Pilot closed on 14 December 2018. It invited businesses to submit applications for capital grant investment that will result in measurable productivity improvements, but that do not require net additional jobs to be created within the business. There has been a good level of interest in the pilot, with 11 completed applications received. Collectively the total grant request is circa £735,000.

## LEP Growth Service

- 2.19 The Growth Service provides businesses in the City Region with direct access to the full range of publicly-funded products and services available to help them grow. It recently surpassed a major milestone in that it has now supported over 10,000 businesses in the City Region since its launch in April 2015. Table 2 below highlights performance against the headline targets for 2018/19.

Table 2: Performance against headline targets 2018-19.

<b>Target Measure</b>	<b>Target</b>	<b>As of November 2018</b>
SMEs supported - light-touch & intensive (such as attendance at events, sign-ups to the LEP eNewsletter, referrals to other products/services)	2750	1698
SMEs supported - intensively by SME Growth Managers (ongoing support over the year i.e. several meetings, diagnosis of need, personal referral to relevant products/services, support with funding applications etc).	630	562
Proportion of businesses supported likely to recommend it	85%	86% (Apr-Nov 18)

- 2.20 The service is on track to meet its annual target of supporting 2,750 businesses. Since April 2018, it has supported just under 1700 individual businesses, of which 562 have been intensively supported by the team of SME Growth Managers. Over 750 businesses received support from the LEP business support products in the first two quarters of 2018/19. In addition to the SME Growth Managers, this includes Access Innovation, Strategic Business Growth, the Business Growth Programme and the Resource Efficiency Fund.
- 2.21 Ten Pop-up Business Support Cafe events have been delivered so far this financial year in Beeston (Leeds), Manningham (Bradford), Wakefield, Todmorden, Otley, Keighley, Cleckheaton, Hunslet (Leeds), Ferrybridge and Huddersfield. Over 146 people from 124 small businesses have attended the events and accessed 136 hours of free advice from a range of local private sector experts. Sales and marketing, including the use of social media, continue to be the most popular topics. Satisfaction levels remain high with 89% of attendees rating the events as good or excellent, and 91% stating that they are now likely to do something different in their businesses.

## Other Business Support Programmes

- 2.22 The Strategic Business Growth (SBG) project provides small, ambitious businesses in the City Region with a package of tailored support to help them achieve their growth potential. This includes business coaching, workshops on growth topics, peer-to-peer learning and capital grant-funding.
- 2.23 177 businesses are now fully engaged with the package of support available, of which 146 have developed detailed growth plans with their allotted account managers. 108 of the above businesses have benefitted from a combined total of over 4,200 hours of further one-to-one coaching, and 50 have attended at least one of the workshops that are covering such topics as scaling-up, access to finance and delivering against a business plan. 149 new jobs and 15 new products have been created so far on the project. In addition, capital investment grants totalling £450,000 have been awarded to 20 businesses that are also receiving elements of the advice package. These investments will leverage over £1.3m of private sector funding.
- 2.24 The Growth Service is the access point for the Travel Plan Network (TPN), which provides businesses of all sizes across West Yorkshire with advice and guidance on implementing sustainable travel solutions. Over 60 businesses have joined the network since April 2018, and there are now 413 members in total accounting for over 300,000 employees between them.
- 2.25 The Northern Powerhouse Investment Fund (NPIF) formally launched on 22 February 2017, and has since invested £12.5m of funding in 79 businesses in Leeds City Region. £1.69m has been invested in 41 businesses via the micro fund, £6.88m has been invested in 29 businesses via the debt fund, and £4m in ten businesses via the equity fund.
- 2.26 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.
- 2.27 The LEP will be launching its new Investment Readiness project in April 2019 following successful funding applications to the European Regional Development Fund and the Leeds City Region Business Rates Pool. The £1.42m project will support growth-oriented SMEs to better understand the complexities of the current finance marketplace, and to then access the external finance needed to deliver their growth plans. A tender opportunity to support delivery of the project will be advertised in January 2019.

## **Trade and Investment**

### Trade Context

- 2.28 In the year to September 2018, the value of UK trade in goods exports increased by 4.0% compared with the same period last year. There was an increase in annual export value for seven of the English regions, with Yorkshire & the Humber seeing an increase of 8.6%.
- 2.29 The total number of businesses exporting from the UK increased by 1.5% between Q3 2017 and Q3 2018. The number of businesses in Yorkshire & the Humber, however, grew by only 0.9% over the same period.
- 2.30 The British Chambers of Commerce Quarterly Economic Survey for Q4 2018 reports that 35% of manufacturers and 24% of services saw an increase in export orders in the last three months, a slowdown from 39% and 30% respectively. The BCC/DHL Trade Confidence Index, a measure of the volume of trade documentation issued nationally, fell by 3.86% on the quarter, but remains high by historical standards.
- 2.31 This slowing is also reflected in the EEF/BDO Manufacturing Outlook for Q4 2018, which shows that export order balances, the main reason for manufacturing growth last year, have significantly decreased from 24% to 12%. This is attributed in part to the diminishing effect of sterling devaluation. The EU remains the main market for opportunities with 59% of respondents reporting positive demand conditions there. Mechanical equipment and the electronics sector are showing particularly good export balances. Other key markets are North America and Asia.

### Inward Investment

- 2.32 There have been two new inward investment successes supported by the team since the last report in November including the team's first success through the new investor development programme;
- Mastek – An Indian owned global IT player 70 new jobs to be created in their national graduate development centre in Leeds. Their UK clients include NHS Digital and the Ministry of Defence. (Investor Development)
  - Fitek – An Estonian FinTech business specialising in e-invoice solutions has expanded in to the UK market establishing an office in Leeds.
- 2.33 The team has received 11 new enquiries since the last report with various locations in scope within the Leeds City Region including three major opportunities with the potential to create over 500 jobs. Three enquiries are related to growth or new inward investment opportunities linked to the Channel4 announcement.

## Investor Development

- 2.34 Over 60 companies now form part of the investor development programme. The team has identified over 30 potential investment projects through engagement with businesses. These projects range from investment into new machinery to seeking new premises to accommodate growth.
- 2.35 Collating and sharing business insight across the Combined Authority continues to be an important aspect of the role with companies sharing their views on topics such as Brexit, exporting and skills.

## International, Business Development and Trade Activity

### Smart Cities Expo – Barcelona

- 2.36 The Leeds City Region exhibited at the Smart Cities World Congress held in Barcelona in November. This event is the largest of its type (over 600 stands and 21,000 visitors) and attracts prominent delegates from high level tech companies as well as global cities including Moscow, Tel Aviv and Dubai.
- 2.37 Our visit received widespread positive feedback both from partners and the wider private sector delegation. It included a programme of 10 presentations as well as numerous meetings and interactions - over 168 connections were made by the delegation including the likes of Amazon Web Services, Microsoft and Cisco systems.
- 2.38 Planning is underway to look objectively at LEP attendance in 2019 including exploring a public / private sector funding model.

### Valve World Expo - Dusseldorf

- 2.39 The trade and investment team showcased the city region at Valve World Expo 2018 in Dusseldorf as part of the UK EIC pavilion. This provided an excellent opportunity to demonstrate to an international audience the particular strengths within the city region in the flow control and fluid power technologies.
- 2.40 The series 'Doing Business in Europe' events concluded this quarter with sessions on export procedures and customs and getting paid and taxation. The five checklists produced from the events are now available on the LEP website <http://www.the-lep.com/for-business/international-trade/>

## Upcoming Planned Events

- January 2019 Dubai– Arab Health Leeds City Region Showcase
  - March 2019 Cannes – MIPIM Leeds City Region stand and programme
- 2.41 Next year's areas of focus for the trade and investment team were discussed and the BIG panel supported the intention to explore the options for resourcing an increased focus on China and India especially in a post Brexit scenario.

2.42 The panel also noted the renewed emphasis in making a concerted effort to undertake activities that will generate greater levels of interest from inward investment in the wider towns and cities beyond Leeds, where market forces are naturally dictating higher volumes of inward investment enquiries.

2.43 A forward plan of activity will be developed after the New Year and presented to the LEP Board in 2019.

### **3. Financial Implications**

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

### **4. Legal Implications**

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

### **5. 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 LEP Board notes and endorses the contents of the report.

### **8. Background Documents**

None.

### **9. Appendices**

None.