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

**Date:** 6 June 2019

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

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

- 1.1. To provide the Leeds City Region Enterprise Partnership (LEP) Board with a report on the work of the Business, Innovation and Growth (BIG) Panel.

## **2. Information**

### **Innovation**

#### Access Innovation and Connecting Innovation

- 2.1 Access Innovation is being delivered across the City Region with funding from the European Regional Development Fund (ERDF) and the Local Growth Fund (LGF). The £7m programme's primary objective is to help SMEs to become more productive and competitive through the development of new products, processes and services. Funding and advice is available to support businesses with this, including from third party specialist organisations, such as universities and other research centres of excellence.
- 2.2 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 (innovation vouchers) 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.
- 2.3 In response to the interim evaluation, and the team's experience to date of delivering the programme, the Combined Authority/LEP is in advanced stages of developing a successor programme : - Connecting Innovation. The full business case for the new programme was submitted on 28 May 2019, and it will aim to drive up the appetite for innovation investment and activity across the business community, including amongst those SMEs yet to engage with the LEP or any part of the R&D eco-system. The target commencement

date for Connecting Innovation is January 2020 to follow on from Access Innovation which is scheduled to finish at the end of 2019.

### Digital Framework

- 2.4 Following the adoption of the Leeds City Region Digital Framework by the LEP and Combined Authority in December 2018, the Digital Overview Group, chaired by Kersten England, will now meet for the first time in Spring 2019. The Group is currently made up of the following members: Andrew Wright, Adam Beaumont, Nic Greenan, and Rashik Parmar with officer attendance in support but nominations are sought for other attendees covering both the broader geography and five outcomes.
- 2.5 Whilst not a formal West Yorkshire Combined Authority/LEP Advisory Panel, the Group has been established to provide oversight of current and planned digital activity in Leeds City Region, and importantly make connections between the five strands of the Digital Framework.
- 2.6 The Digital Overview Group will report into the LEP Board. Working groups will take forward the actions of the Overview Group and progress will then be reported up into the Advisory Panels. The Advisory Panels will ultimately be accountable for activity under each strand of work

### **Business Support**

#### Business Growth Programme (BGP)

- 2.7 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.
- 2.8 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 1 below presents progress on BGP since LGF funding commenced in April 2015.

**Table 1: Programme performance against headline targets**

<b>Target Measure</b>	<b>6-Year Target (April 15 to March 21)</b>	<b>Achieved (as of Apr 19)</b>
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

2.9 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.

2.10 The April and May 2019 meetings of the Business Investment Panel and Business, Innovation and Growth (BIG) Panel have considered some changes to the guidance and core criteria for the programme. This has been in response to changing nature of demand for support, and the pressure on the programme budget with less than two years of funding remaining. As a result, a paper with some clear recommendations for changes to the criteria will be presented to the LEP Board at its meeting on 18 July 2019.

#### Inclusive Growth

2.11 Following the report on Inclusive Growth commitments 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

- 2.12 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.
- 2.13 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 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.
- 2.14 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.
- 2.15 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). The seven approved projects are now in delivery and will be closely for 12 months, as well as being involved in a longer-term impact study.

### LEP Growth Service

- 2.16 The Growth Service is funded by the Department for Business, Environment and Industrial Strategy (BEIS), and 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.
- 2.17 Table 2 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 2: 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) - BEIS (£512,500) - Business Rates (£88,000)	£600,500	£555, 659 (£512,500 - BEIS) (£43,159 - BR)

- 2.18 The service surpassed its annual target for 2018/19 to provide support to 2750 individual businesses. 2,920 individual businesses received support between 1 April 2018 to 31 March 2019, of which 693 were intensively supported by the 12 SME Growth Managers. 1,510 businesses received support from the range of LEP business support products, namely Resource Efficiency Fund, Access Innovation, Strategic Business Growth, Business Growth Programme and the SME Growth Managers. Progress against the targets for 2019/20 will be reported to the Board at its July 2019 meeting.

Strategic Business Growth – support for SMEs with high growth potential

- 2.19 The £6.12 million Strategic Business Growth (SBG) project is being delivered by the LEP and its appointed contractor, Winning Pitch. It is also part-funded by ERDF and Local Growth Fund (LGF), and provides small, ambitious businesses with a package of tailored support to help them achieve their growth potential. This includes one-to-one business coaching, one-to-many workshops on key areas of business growth and an important peer-to-peer element that allows businesses to share their experiences and expertise, and identify collaboration opportunities.
- 2.20 286 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. The

advisory support provided to date has led to the creation of 332 jobs, against a target of 596 by January 2020.

- 2.21 35 capital investment grants collectively worth over £900,000 have been awarded to businesses on the programme, and these are forecast to leverage additional investment from the recipients of over £3m and create approximately 180 new jobs.

#### Investment Readiness and Business Resilience

- 2.22 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 SME 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.
- 2.23 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 (Winning Pitch Limited, with Garbutt and Elliott and Grant Thornton) will commence delivery in June 2019.
- 2.24 A new Business Resilience project is now being implemented as an enhancement of the Growth Service. This is an extension of the current SME Growth Manager function with an additional 8.5 to be recruited (taking the team to 19 FTEs), 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 concentrated support with such issues as cash-flow management, property requirements and supplier / customer relations.
- 2.25 Brexit preparation will clearly be an important factor with the above, but the project will also cover other new and emerging factors that businesses may need to prepare for, such as clean air legislation, major infrastructure schemes (e.g. HS2) and ongoing changes to the national living wage.
- 2.26 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 SME Growth Manager funding arrangement.

## Resource Efficiency Fund

- 2.27 Progress on the above project is included within the Green Economy Panel update report.

## Channel 4

- 2.28 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.
- 2.29 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.
- 2.30 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.

## **Trade and Investment**

- 2.31 Final performance results for 2018-19 show the trade and investment team generated 98 new enquiries and secured 27 new projects. This culminated in the creation of 1,933 new jobs and the safeguarding of 608 jobs.
- 2.32 In the final months of the year, the newly established Key Account Management started to account for a number of the new project success. In total, the team undertook 122 meetings identifying 51 potential new projects. This performance has pleased the Department of International Trade who has since officially confirmed funding for the team to continue in 2019-20.
- 2.33 During 2018-19 the trade and investment team also played a role in the delivery of 12 export initiatives engaging with a number of both new (98 businesses) and existing exporters (26 businesses). In total during 2018-19 the team's activities generated 201 export related enquiries to the Growth Service.
- 2.34 Since the last report the team has helped deliver a number of new inward investment successes. It is pleasing to note that many of these are in non-core city districts:
- AND Digital - one of the Europe's fastest growing tech companies announced its expansion into new offices in Halifax at the Leeds Beckett University Business Centre in the heart of the Cultural quarter.
  - Northcoders - Supported by the #Welcome Digital Inward Investment Fund, have been able to create presence in Leeds to support the expansion of their successful coding bootcamp model from Manchester.

- 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 their Huddersfield site and new investment in machinery, creating seven new jobs.
  - Retention of a US owned automotive business based in Halifax following successful award of a significant contract, safeguarding 150 jobs and creating 20 new jobs.
  - 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.
- 2.35 The pipeline of new enquiries continues to be healthy, with 12 new enquiries received in March and April 2019.
- 2.36 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-refresh 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.
- 2.37 To assist with the delivery of the 2019-20 Forward Plan a number of key pieces of work are currently being undertaken by the team including:
- MIPIM Evaluation Report
  - EZ Phase 2 – Investor targeting
  - A Creative Co-Working Space compendium
  - #Welcome – Investor targeting
  - Creative Industries - Export Opportunity Report
- 2.38 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.
- 2.39 The team continues to support with the delivery of Channel 4 related initiatives particularly in relation to the nurture and support of the local TV and production community.

- 2.40 During April and May 2019 the team has been overseeing 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. The team is working with Channel 4 to showcase these schemes at an upcoming Channel 4 event in Leeds on 29 May.
- 2.41 Following a recent recruitment process, Charlotte Michael has been appointed to the role of Creative Industries - Opportunity Programme Manager. Charlotte 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.

#### Trade Context

- 2.42 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.
- 2.43 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.
- 2.44 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
- 2.45 Leeds City Region trade delivery partners are reporting significantly higher participation than usual in terms of the number of businesses engaging with and attending export related events. Predominantly, events and initiatives involving opportunities in non-EU markets are significantly better attended than they have been in recent years.
- 2.46 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.

#### International, Business Development and Trade Activity

- 2.47 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

- 2.48 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.
- 2.49 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.

#### Planned Events

- 2.50 London Tech Week 10-14 June - Leeds City Region will hold an event on Wednesday 12 June in partnership with sponsors Accenture during London Tech week promoting the regions data and tech capabilities to potential investors. A panel session including Wired Score, AND Digital and Channel 4 will be followed by a networking reception at the heart of London's tech start up scene in Shoreditch.
- 2.51 Preparations are underway for the Leeds City Region attendance at SMART Cities Expo, Barcelona in November. This provides Local Authority partners with an opportunity to showcase their SMART Cities credentials to a global audience and will also be supported by a number of private sector delegates and sponsors from the region.

### **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 To provide the Leeds City Region Enterprise Partnership (LEP) Board with a report on the work of the Business, Innovation and Growth (BIG) Panel.

**8. Background Documents**

8.1 None.

**9. Appendices**

9.1 None.