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

Date: 18 July 2019

Subject: **Business Communications Group (BCG)**

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1. Purpose of this report

- 1.1 To provide LEP Board members with an update on the meeting of the Business Communications Group (BCG), held on 5 June 2019.

2. Information

- 2.1 The BCG meeting of 5 June consisted of two in-depth workshop sessions on the Future-Ready Skills Commission and Local Industrial Strategy respectively, plus the usual roundtable feedback from measures on current business conditions.
- 2.2 Mark Roberts, a member of the LEP's Employment and Skills Panel and the Future-Ready Skills Commission, provided an update on the Commission and asked for members' feedback. The key points raised were:
- Having a clear focus for the Commission is critical, given the breadth and complexity of the current skills system and the scale of the challenge.
 - The focus on developing a blueprint for a more devolved skills system was welcomed. As yet devolution of skills to local areas has been more about local management of national programmes rather than meaningful devolution of investment and the powers to direct this towards local priorities. A particular opportunity is the unspent Apprenticeship Levy money in the region – reforms are needed to make this easier for businesses to spend, and any unspent funding should be allocated to LEPs to address local skills priorities.
 - The focus on Further Education (FE) is also welcome. A key untold story of the Auger Review is the disparity between funding for higher education versus that for vocational courses. It is often the latter that has the greatest impact for businesses.

- One of the challenges the Commission should address is how to address barriers to investing in training for small and medium-sized enterprises (SMEs)

2.3 BCG members received a presentation on the emerging evidence base that is informing work on the LEP's Local Industrial Strategy. The following key points were noted:

- The challenges in developing a distinctive narrative about the City Region economy, given how closely it mirrors the UK as a whole, was discussed. Members noted that the diversity of the City Region's economy is an important selling point. Culture and quality of life, affordability and the strength of the City Region's financial and professional services sector – making it an ideal place to set up a business in any sector – were highlighted as other points of distinction. The region's capacity for innovation and reinvention – in terms of how its businesses have evolved continuously to meet new challenges and opportunities – was also felt to be a key strength.
- The fact that the City Region is a significant economic area with significant critical economic mass is something that Government needs to recognise.
- Specific issues from the evidence base that BCG members felt merited particular attention in work on the LIS were the impact of location on productivity, the fact that Leeds City Region is a SME-dominated region (i.e. without an original equipment manufacturer [OEM]), the need to improve both skills supply and demand and graduate retention.

2.4 BCG members provided **feedback on other key issues** raised by the businesses they represent. In summary:

- The Skills Service is expanding its offer to businesses from September
- Brexit has become less of a concern for businesses now that the deadline for leaving the EU has been extended but BCG members expect that this will once again become an issue the closer the UK gets to October without a deal.
- Demand for borrowing and availability of finance remain high according to banks in the region. There is a perception among many businesses however that lending – particularly short-term lending – is difficult to obtain.
- Business crime – particularly cyber crime – is an issue that several members are focusing on currently.
- Transport issues – particularly congestion in key urban centres – were highlighted as a major drag on productivity and economic growth, with many businesses highlighting the employee hours lost to time spent in traffic.
- Skills shortages, particularly higher level skills, are still an issue in certain sectors – notably the electronics and chemicals/ cosmetics industries. There was a sense that businesses are investing in training and apprenticeships in these sectors. A shortage of lower level skills is an issue among many manufacturers – this appears to be the result of

perceptions of the sector among potential new entrants rather than the early impact of EU27 migrants returning to their countries of origin.

- According to quarter 2 data from the Institute of Chartered Accountants in England and Wales (ICAEW) confidence in the Yorkshire and Humber region is lower than national levels and 27% of members are challenged by the limited availability of non-management skills.
- In the construction sector, output is flat and there is a view that Brexit uncertainty is delaying investment decisions. There is demand for skills at all levels and in all professions – particularly joinery and internal fit-out. An example was given of a small joinery firm that is unable to grow because of the unavailability of skills.
- The immigration White Paper is causing concern among some businesses, particularly in relation to the £35,000 minimum salary threshold which is considered challenging in northern regions.

3. Financial Implications

3.1 None.

4. Legal Implications

4.1 None.

5. Staffing Implications

5.1 None.

6. External Consultees

6.1 None.

7. Recommendations

7.1 That LEP Board members note the contents of this report.

7.2 That members offer comments on the business challenges and issues raised by BCG members in section 2.4 and appropriate responses.

8. Background Documents

8.1 None.

9. Appendices

9.1 None