
Report to: Business, Innovation and Growth Panel

Date: 24 May 2018

Subject: **Business Survey Results**

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1 Purpose of this report

- 1.1 To provide Panel members with the results of the latest detailed business survey. The latest Leeds City Region Economic Update, produced quarterly, is also presented.

2 Information

- 2.1 The latest Leeds City Region Business Survey was undertaken in 2017 and builds on previous similar surveys undertaken in 2011 and 2015. The main purposes of the survey were to:
- Provide a snapshot view of business confidence, investment experiences and intentions.
 - Provide the LEP and Local Authorities with a significant level of detail about the issues currently affecting businesses.
 - Support the LEP in monitoring and reporting progress to Government against its strategic priorities, through comparison to previous / future surveys.
 - Provide evidence to inform LEP and Combined Authority policy and strategy, including detail on issues such as exports and innovation to inform the development of the local inclusive industrial strategy.
- 2.2 BMG Research were commissioned to survey a representative sample of 2,368 businesses from across the City Region, covering a broad range of issues about business performance, challenges and confidence and views on Brexit and other policy issues.

2.3 The survey report is available via the LEP website¹. The Panel will receive a short presentation to prompt discussion about priorities. The key headlines are:

- Overall, companies remain positive about their performance and prospects. A net balance of +22% of firms say performance has improved in the past year, whilst a net balance of +18% expect performance to improve next year.
- However, overall performance fell from when the survey was last carried out in 2015.
- The survey finds a positive correlation between business planning and performance. Those firms with a business plan, a training plan, or a training budget, as well as those identifying skills gaps and investing to address them, are more likely to report positive performance.
- For example, 47% of businesses with a business plan said their turnover has increased over the past twelve months, compared to 36% of firms without a business plan. Businesses with such plans are also more likely to report employment growth.
- However, fewer than half of firms surveyed (47%) had a written business plan, whilst only 38% had a training/skills plan, and 30% had a training budget.
- A similar pattern is evident when looking at other activities including innovation and exporting – businesses who undertake these activities are more likely to report positive performance than those who do not.
- Most businesses expressed no strong view on Brexit. However the proportion of businesses that think the decision will be detrimental (28%) is nearly three times as high as the proportion that thinks it will be beneficial to their business (10%).
- There is variance in views on Brexit by sector. Among the LEP's key sectors, around two-fifths of creative and digital (38%) and food and drink (40%) establishments feel it will have a negative impact on their business, whilst 18% of advanced manufacturing firms say Brexit will be beneficial.
- The view that most businesses are not primarily focused on the implications of Brexit at present is reinforced by responses when businesses were asked about potential barriers to their growth over the next three years. Only 7% mentioned the UK's changing relationship with the EU, and only 5% mentioned any current Brexit-related uncertainty. This is below the most-frequently mentioned barriers of access to finance (12%), cash flow (10%), regulation and competition (both 9%).

¹ <http://www.the-lep.com/LEP/media/New/Research%20and%20publications/Business-Survey-2017-FINAL.pdf>

- Access to finance remains the biggest barrier to growth, mentioned by 12% of firms. Cash flow, regulation, and availability of skilled labour all remain issues.
- 15% of firms have applied for finance in the past year, similar to 17% in 2015. Among those who have applied, around a fifth (19%) have been turned down. Cash flow was the most common reason for seeking finance, mentioned by 51% of firms who had applied, followed by business expansion (44%) and equipment/machinery (41%).

2.4 The information and issues identified in the business survey shape the City Region's emerging policy work, described in more detail in Item 6.

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 on this report. The survey itself was subject to a large and statistically representative sample from businesses across the City Region.

7 Recommendations

7.1 It is recommended that Panel members provide views on the findings from the Business Survey and how this relates to emerging policy priorities described in Item 6.

8 Background Documents

None.

9 Appendices

Appendix 1 – Leeds City Region Economic Update