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

**Date:** 20 September 2018

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

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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

#### Business Basics Fund

- 2.1 Innovate UK has launched the business basics fund competition with the objective of stimulating innovative ways of encouraging micro, small and medium-sized enterprises (SMEs) with mid-to-low productivity to adopt existing technologies and business practices that can boost their productivity. The fund uses BEIS funding, and opened on 26 June, with a deadline for submissions by 4 September.
- 2.2 The Combined Authority bid will develop a randomised control trial of between 500 to 1,000 City Region firms with low-to-mid productivity to assess the most cost-effective approaches to:
- increase awareness amongst those businesses of their relative performance and the extent to which they reflect high productivity characteristics;
  - increase take-up of practical (publicly funded and non-publicly-funded) support to increase the number of characteristics associated with high-productivity businesses and thereby improve productivity.
- 2.3 The application for £70,000 was submitted ahead of the 4 September 2018 deadline.

## Access Innovation

- 2.4 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 430 businesses, 214 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. 24 applications for grants have been approved to date with a collective value of £934,000, and a further 11 totalling £650,000 are currently being appraised.
- 2.5 The highest number of enquiries and approved applications to date are from the healthcare and life sciences, manufacturing (including textiles) and digital sectors. A procurement exercise is currently being undertaken to appoint an organisation to support SMEs to increase their innovation capacity. This will involve the delivery of a workshop programme covering the key elements of the innovation process, and will further improve the volume and quality of SMEs engaging with the full support package available.

## Digital

- 2.6 The consultation for the Digital Framework (#TransformedbyTech) is, at the time of writing, live. Using the Combined Authority's new engagement platform, Your Voice, residents and businesses are being asked to share their views on how the City Region can ensure everyone has the opportunity to benefit from the growth of digital technologies.
- 2.7 Since its launch on 2 July, 90 responses to the survey have been received (up to 13 August). The majority of these are from individuals (81%), with 10% from organisations and 9% from businesses. 42% of responses are from Leeds; 11% from Bradford; 10% from Wakefield; 8% from Barnsley; 7% from Kirklees; 3% from York and Craven each; and 2% from Harrogate and Calderdale each;

A final push in the remaining few weeks will target businesses, with the consultation due to close on 14 September. Following this the responses will be analysed and shared at a future LEP Board meeting.

## **Business Support**

### Business Growth Programme (BGP)

- 2.8 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 July 18)
Expenditure	£38,96m	Committed - £29.57m Actual - £24.34m
New Jobs Created	4,100	Committed - 4,936 + 1,693 safeguarded Actual - 3,033 + 1,682 safeguarded
Businesses Supported	765	Committed – 538 Actual – 453
Number of Grants Awarded	N/A	Committed – 626 Actual – 520
Public/ Private Sector Leverage	£168.5m	Committed - £306.4m Actual - £231.6m
Total Cost Per Job	No contractual target	Committed - £5,991 Actual - £8,026

- 2.9 The above table shows good progress against the target to create 4,100 new jobs by the end of March 2021, with just over 3,000 created to date and commitment of a further 1,953 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.
- 2.10 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, will be considered by the Business Innovation and Growth Panel at its meeting on 13 September 2018. The changes are being proposed to ease pressure on the overall BGP budget and to give more businesses the opportunity to apply.
- 2.11 The new Inclusive Growth commitments were implemented on 31 July 2018 and the Business Productivity Pilot will be launched on 17 September 2018. The former has introduced an incentive for applicants to create higher paid jobs in accordance with the Real Living Wage. It requires recipients of grants of over £50,000 to make inclusive growth commitments, such as working with a local school or upskilling their staff. The latter will invite 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. This will be via an open call for projects between 17 September and 14 December 2018.

#### LEP Growth Service

- 2.12 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. Table 2 below highlights performance against the headline targets for 2018/19.

Table 2: Performance against headline targets 2018-19.

Target Measure	Target	As of July 2018
SMEs supported - light-touch & intensive (such as attendance at events, sign-ups to the LEP eNewsletter, referrals to other products/services)	2750	800
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	294
Proportion of businesses supported likely to recommend it	85%	92%

- 2.13 The service is on track to meet its annual target of supporting 2,750 businesses. Since April 2018, it has supported 800 individual businesses, of which 294 have been intensively supported by the team of SME Growth Managers. 442 businesses received support from the LEP business support products in the first quarter 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.
- 2.14 Seven Pop-up Business Support Cafe events have been delivered so far this financial year in Beeston (Leeds), Manningham (Bradford), Wakefield, Todmorden, Otley, Keighley and Cleckheaton. 119 people from 102 small businesses attended the events and accessed 109 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 85% of attendees rating the events as good or excellent, and 58% stating that they are now likely to do something different in their businesses.

#### Other Business Support Programmes

- 2.15 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.
- 2.16 141 businesses are now fully engaged with the package of support available, of which 107 have developed detailed growth plans with their allotted account managers. 73 of the above businesses have benefitted from a combined total of over 2,700 hours of further one-to-one coaching, and 36 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. 45 new jobs and four new

products have been created so far on the project. In addition, capital investment grants totalling £285,000 have been awarded to 16 businesses.

- 2.17 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. 41 businesses have joined the network since April 2018 and there are now over 360 members in total accounting for almost 300,000 employees between them.
- 2.18 The Northern Powerhouse Investment Fund (NPIF) formally launched on 22 February 2017, and has since invested £11.48m of funding in 73 businesses in Leeds City Region. £1.66m has been invested in 38 businesses via the micro fund, £6.67m has been invested in 27 businesses via the debt fund, and £3.15m in eight businesses via the equity fund.
- 2.19 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.

## **Trade and Investment**

### Trade Outlook

- 2.20 The total annual value of UK exports increased by 8.2% to £330 billion in the year ending March 2018 compared with the same period the previous year. Eight English regions, including Yorkshire & the Humber experienced an increase in the value of exports. The largest increase was 15% in the East Midlands with Yorkshire & the Humber showing an increase of 8.7%.
- 2.21 The total number of businesses exporting from the UK increased by 4.1% between Q1 2017 and Q1 2018. The number of businesses in Yorkshire & the Humber similarly grew by 3.3% over the same period.
- 2.22 The British Chambers of Commerce Quarterly Economic Survey for Q1 2018 reports strong global trading conditions and shows that 30% of manufacturers reported improved export sales in the quarter with 13% of service firms reporting improved export sales, both figures up from the previous quarter
- 2.23 The EEF/BDO Manufacturing Outlook for Q2 2018 also shows a continuing positive growth in export markets but at a slower rate than previously. European markets remain the largest for the UK but with businesses reporting a slowdown in demand.
- 2.24 Key trade activities planned for the remainder of 2018/19 include (Businesses have the opportunity to attend as part of these trade missions.)

- A series of European focused events: These are a joint initiative with Enterprise Europe Network, DIT and a range of business organisations.
- Delegation to China and Hong Kong
- City region delegation to Boston (theme)
- 'Meet the Buyer' activity with Kaola.com
- Valve World Expo 2018 in Dusseldorf
- Gulf roundtable: A roundtable discussion with Medilink, the British Centre for Business in Dubai.
- Arab Health 2019. This will build on the city region's attendance at Arab Health 2018
- A food and drink focussed event in planning

### Inward Investment – Performance Update

- 2.25 There have been two new inward investment successes since the last panel report in June, these are as follows:
- Avenue HQ; 20 new jobs. A UK owned (Liverpool) flexible workspace, meeting room community has set up a hub in Leeds City Centre.
  - Connexin; 10 new jobs. A UK owned (Hull) digital telecommunications firm has set up a service depot to deliver business broadband and smart city applications in the city of Bradford.
- 2.26 The team received a total of 33 new enquiries from the period April through to July, of which 11 were in Category A (opportunities with the potential for at least 50 jobs).
- 2.27 Leeds City Region's pitch for the Channel 4 National HQ has been shortlisted alongside Greater Manchester and Birmingham. We are now in a process of advanced negotiations with Channel 4. Channel 4 are visiting the region early September and plan to make a final announcement regarding their HQ location in October 2018.
- 2.28 A mission to Hangzhou, Qingdao and Hong Kong is planned from 5-13 September which will include civic and business meetings. This coincides with Leeds (sister city) 30 year celebrations. Councillor Blake and Ben Still will be attending.
- 2.29 George Hollingbery MP, Minister of State for Trade Policy visited the region. A round table was hosted where we outlined the international trade characteristics of Leeds City Region and discussed the Government's position on BREXIT.
- 2.30 Upcoming planned activities include
- MIPIM UK in October in London
  - SMART City Expo World Congress 2018 in November in Barcelona.

## Investor Development – Performance Update

- 2.31 Following a successful pilot the LEP has secured funding from DIT for the period April 2018 to March 2019. This has enabled the establishment of a team to initiate investor development activity.
- 2.32 Given that traditionally c.60% of foreign direct investment comes from indigenous foreign owned businesses this work with foreign owned businesses enables the LEP to:
- Generate an increased number of Foreign Direct Investment (FDI) projects for the City Region.
  - Build investor development capability in the region which can anticipate and influence business decisions through regular company engagement and utilise the Government’s global network to build packages of support.
  - Share vital business/sector intelligence across Government that can be used to inform, educate and influence local and national economic policy.

### **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 note and endorse the contents of the report.

### **8. Background Documents**

None.

### **9. Appendices**

None.