

REPORT TO: Employment, Learning Skills and Community Policy and Performance Board

DATE: 15 September 2014

REPORTING OFFICER: Strategic Director Children and Enterprise

PORTFOLIO: Economic Regeneration

SUBJECT: Liverpool City Region Enterprise Strategy

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

To report upon the strategic plans currently being developed across the Liverpool City Region to increase business density.

2.0 RECOMMENDATION: That

- (i) **Progress towards the development of a coherent, Liverpool City Region wide, strategy to increase the number of viable business, and thereby close the employment and GVA gap between the City Region and the rest of the UK, be noted.**

3.0 SUPPORTING INFORMATION

3.1 Background

In November 2013 the Liverpool City Region (LCR) Local Enterprise Partnership (LEP) produced a discussion document entitled 'Liverpool City Region Enterprise Strategy and Programme'. That document outlined the disparity between business density, and as a consequence employment and GVA, between the LCR and the rest of the UK.

Figure 1: Business Density

	2005	2008	2011	Change 2005-11
UK	559.5	582.2	572.8	+13.3
LCR	369.7	401.5	384.2	+14.5
Halton	366.7	404.6	382.0	+15.3
Knowlsey	243.7	276.5	286.6	+42.9
Liverpool	367.3	395.5	369.9	+2.6
Sefton	434.5	457.4	440.9	+6.4
St Helens	334.2	378.4	370.3	+36.1
Wirral	401.6	436.5	414.2	+12.6

Source : Liverpool City Region Local Enterprise Partnership

The LCR has 32% fewer businesses than the UK average. GVA per capita for the LCR is 25% below the UK average.

Figure 2 : GVA Per Capita

	GVA £billion	GVA Growth	GVA per Capita £'s	GVA per Capita Growth
	2011	2006-11	2011	2006-11
UK	1,310.2	12.7%	20,873	8.8%
LCR	23.1	9.1%	15,615	9.1%

Source : Liverpool City Region Local Enterprise Partnership

Despite a plethora of business support initiatives and interventions funded by the public sector in the last ten years, the LCR business base has only increased at the same rate as the UK average. In short the gap is not closing. For example, between 2011 and 2013 LCR business density increased by 3.2% compared with a UK figure of 4.3%.

Similarly, business start levels in the LCR track well below the UK average and business start rates have been slower to recover from the recession than the UK average. Five year business survival rates in the LCR are also significantly lower

Self-employment levels in the LCR are at 9.9% of the population, compared with 13.2% nationally. This figure has shown some improvement in the last 7 years, but it has been almost exclusively growth in male self-employment. Female self-employment is just 4.6% of the female population compared with 8.5% nationally, a significant disparity and the lowest performance of any City Region in the UK.

Micro business (0-4 employees) rates are significantly below the UK average at 71.6% of businesses compared to 75.9% nationally whilst other business categories are above the national average.

Understanding the causes of this stubborn deficit is critical to determining the tactical responses to be promoted to address the challenge. However, the underlying strategic imperative is clear. The City Region is short of 18,500 businesses

3.2 LCR Enterprise Strategy : Objectives

The LCR, therefore, is seeking to increase the number of businesses operating in the region to UK average levels within a generation. The shortfall currently stands at 18,500 and assuming an up-lift in UK

business density in the next 20 years this will equate to at least 20,000 businesses in 20 years.

3.3 Proposed Interventions

- Intervention 1 : Establish a City Region Enterprise Strategy and Programme.
 - The LCR will develop both an Enterprise Strategy that sets out the priorities required to create 20,000 new enterprises within 20 years and an Enterprise Programme that sets out all of the activity and interventions to deliver these priorities. The Enterprise Programme will incorporate all of the EU Programme 2014-2020.

LEP Recommendation : LEP and partners develop an Enterprise Strategy and Programme working through the LEP Board and Business Growth Hub Boards with LA Chief Executives/Regeneration Directors to agree accountability and resources.

- Intervention 2 : Simplification, Coherence and Commercialisation of Business Support
 - Simplification : The business support landscape in the City Region is cluttered. Over 300 services from almost 100 providers working to individual project targets, with little shared intelligence, systems and little cross referral.
 - Coherence : Many business interventions take place in complete isolation, with no imperative to share information or cross refer.
 - A one stop shop for all business support services at LCR level : The LEP have proposed a Federal Growth Hub for business support coordinated at a LCR level with ownership of performance at Local Authority level. Specific business support will be led the Local Authority and/or Chambers working together
 - Commercialisation: Recent government policy has focused upon the migration of business support from the public to the private sectors. The Growth Hub model, proposed for the LCR, encourages businesses to move from publicly funded business support to more bespoke commercial support

LEP Recommendation : Simplification, Coherence and Commercialisation is built into all funded business support and monitored by the LEP Board and Business Growth Hub Boards

- Intervention 3 : Stimulate Entrepreneurial Aspiration in Schools, Colleges and Universities.
 - Liverpool City Region has a higher than average proportion of people in the 10-25 age group and they represent a key cohort of future entrepreneurs. Young people need to understand business, and their own potential, to aspire to success in business.

LEP Recommendation : LEP to commission a best practice study to develop a comprehensive and sustained enterprise programme for Schools, Colleges and Universities embedded in the City Region Growth Plan – working closely with ESB, LA, FE and HE partners.

▪ Intervention 4 : Start More Sustainable Businesses

- There have been, and continue to be, a range of business start-up programmes across the City Region, based on both local and national initiatives. Too often these programmes have been volume driven and based on achieving start up rather than sustainable business.
- The City Region has the lowest level of female self-employment in the UK. Raising the aspirations of women to run their own business and then providing the support to help them realise this ambition is critical.
- Creating the right environment for business is vital, whether through managed workspace, business networks and mentoring.

LEP Recommendation : LEP to work with LA, FE and HE partners, and other providers to establish best practice in business start-up programmes and apply these and sustainability criteria to a coherent programme of business start support across the City Region.

▪ Intervention 5 : Drive Business Growth in New Markets and Products

- Only 30% of all SMEs within the LCR trade significantly outside the region, one of the lowest levels in the UK. Businesses within the LCR must be encouraged to develop their products and services to take them successfully into new markets.

LEP Recommendation : LEP and partners to develop a range of services to support business growth and survival including the New Markets ERDF Programme and include proposals for such in the 2014-2020 EU Programme and Local Growth Plan under a Federal Growth Hub Proposal.

▪ Intervention 6 : Create an Entrepreneurial Business Environment

- Ecosystem : The LCR must create an environment and ecosystem that supports entrepreneurial activity.
- Sectors and Infrastructure : Investment in the City Region's Competitive Growth Sectors and in the fabric of the City Region helps to improve the attractiveness of the location for investment and increase the competitiveness of the location for business operations.
 - Finance : Securing finance is cited by business as a significant barrier to growth. The LCR should develop demand side interventions that help businesses to meet lending criteria

thresholds through investment readiness and identification of a broad range of funding mechanisms.

LEP Recommendation :-

- (a) *LEP and partners to consider the Business Finance report from EKOS and incorporate agreed position into EU 2014-2020 programme and Local Growth Plan.*
- (b) *LEP and partners support and engage in the University of Liverpool's Entrepreneurial Ecosystem project and use to inform future programmes and activity through EU and Growth Plan.*

▪ Intervention 7 : Attraction of New Inward Investment

- Place Marketing: Promotion of the City Region as an attractive location to invest, work, study, live and visit should be increasingly promoted to corporate businesses, commercial advisors, state, institutional and private investors and the media.
- Business Development : The LCR's key competitive strengths and opportunities in growth sectors need to be coherently marketed to stimulate leads and enquiries.
- Existing Investors: Relationships with existing major inward investors should be actively developed and strategies for their further local investment and development actively supported.

LEP Recommendation : LEP and partners to develop a single Inward Investment Strategy for the City Region to deliver a coherent programme of inward investment marketing, promotion, business development and account management.

3.4 Activity to Date

Liverpool City Region Growth Hub

The Liverpool City Region Local Enterprise Partnership (LEP) has developed a proposal to create a 'Growth Hub' for the city region. A Growth Hub is not a physical entity but rather a virtual organisation to provide business support services across the City Region.

However, Government is very prescriptive with respect to the form and function of the Growth Hub model they will support. This must include management and strategic coordination and a one stop shop.

The prescribed model suggests a preeminent role for local Chambers support by Local Authorities. Halton Borough Council and Halton Chamber of Commerce and others are, therefore, discussing in detail how the Growth Hub might work in Halton and how best the model might serve the needs of the local business community.

Inward Investment Protocol

The LEP and Local Authority partners are currently debating the development of an Inward Investment Protocol for the LCR. The LEP proposes a co-ordinated agency approach, resourced centrally but led by the LEP, to 'sell' the LCR.

The LEP have, therefore, issued a tender inviting the private sector to recommend how the LCR might deliver an inward investment service.

Liverpool City Region CRM System

The LCR LEP has appointed Alcium to deliver a new CRM system for the city region. The system, Evolutive, is already used by many LEP's and individual LA's. The system, if adopted by all LA's, the LEP and partners would provide a single city region-wide CRM system capable of:-

- Company client relationships
- Enquiry Handling
- Project management
- Funding Applications Monitoring and Reporting
- Aftercare
- Land and Property Database
- On line property search
- Jobseekers and apprenticeship management
- Event Management
- On-line Questionnaires
- Business Directory
- Reporting and Analysis tools

The annual cost for per organisation is expected to be £3,500.00 (for 10 users per organisation). However, the LCR LEP has agreed to waive the fee for the first year.

The LEP have also suggested that Evolutive will be used to manage the EU Programme 2014-20 and future rounds of Regional Growth Fund (RGF) and other funding streams.

Financial Instruments

EKOS Consulting were appointed by the LEP to consider access to sources of business finance within the LCR. EKOS are proposing that the LCR LEP invests £12 million in the North West Fund and a further £3 million to set up a LCR Access to Finance Hub. The Finance Hub will be a one stop shop for all business funding requests in the LCR and will include the following elements:-

- LCR Investment Fund : LCR element of the NW Fund. NW Fund expect to draw down £70 m from the NW LEP's which will be used to draw down a comparable amount from EIB.

- LCR Investor Readiness Programme : To up-skill business leaders to better understand the financial markets and how to use development finance.
- LCR Business Angel Network : LCR doesn't have its own Angel Network. The network will be 'owned' by the public sector.
- Accessing Alternative Finance Programme : EKOS suggest a number of vehicles including crowd funding and Tax Incentive Schemes which are little understood by business.

4.0 POLICY IMPLICATIONS

The rationalisation and simplification of the delivery of business support across the LCR will impact not only upon business performance in Halton but also upon the way that Halton Borough Council and partners currently deliver a business support service.

The Council are, therefore, actively discussing with Halton Chamber of Commerce and Enterprise and others how best to, for example, implement the Growth Hub model locally.

Increasing commercialisation of business support national will also impact upon service delivery locally. The Council will increasingly interface with a greater range of private sector providers as business support is gradually migrated from the public to the private sectors.

5.0 OTHER IMPLICATIONS

5.1 Financial Implications

There will be financial implications associated with the implementation of a shared pan-Merseyside CRM. The cost is likely to be £3,500.00 per year per Local Authority although the cost will only be incurred after the first twelve months of operation

The financial ramifications of the roll out of the LCR Growth Hub and Inward Investment Protocol have yet to be quantified.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

Growth in the LCR business base will result in greater employment opportunities for the Borough's young people.

6.2 Employment, Learning and Skills in Halton

Growth in the LCR business base will result in greater employment opportunities for the community of Halton.

6.3 A Healthy Halton

Access to sustainable employment will impact positively upon the health of the Borough.

6.4 A Safer Halton

No implications.

6.5 Halton's Urban Renewal

Increasing the LCR business base will stimulate demand for land and premises in Halton which may, potentially, be a catalyst for urban renewal.

7.0 RISK ANALYSIS

No implications.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act.