

# Leeds City Region High Growth Driven Entrepreneurship

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West Yorkshire Economic Recovery Board

August 2020



## Summary

This proposition aims to unleash an entrepreneurial revolution in Leeds City Region to support those impacted by the Covid-19 pandemic to embrace a new entrepreneurial direction. It asks for £340m to support both a general start-up enterprise scheme and more targeted support at those business ideas with high growth and innovation driven potential to transform the regions heritage and potential into economic success.

## Background and context

In Leeds City Region we have the raw ingredients to be an engine of ideas and innovation that can drive forward levelling up, not just our region's economy, but the North's and that of the nation; and contribute significantly to not only our productivity challenge but our clean and inclusive growth ambitions.

To do this we must unleash the innovative and entrepreneurial capacity of our communities. This is the City Region that led the Industrial Revolution, and the factories and mills that once billowed smoke across our skylines are now home to a new generation of wealth creators and innovators, whose enterprising zeal is driving the City Region forward at home and abroad and reinvigorating old spaces.

We know that entrepreneurs have certain skills, exhibit certain characteristics and their businesses perform better on numerous growth metrics<sup>1</sup>. We also know that spatial targeting of key groups works better in delivering these skills, and that successful regions are those that create a culture of innovation that enables SMEs, larger firms, entrepreneurs and institutions to create, accelerate, champion and embed and collaborate on innovation. We want Leeds City Region to have one of the strongest innovation ecosystems and that enables businesses to compete successfully on the global stage, develops talent and attracts investment.

As a region, we are working hard to address some of our longstanding and structural issues in support of entrepreneurs. One element is the two-year MIT REAP (Regional Entrepreneurship Acceleration Program) which a team of senior public and private stakeholders embarked upon in 2018. The team's mission is 'to make Leeds City Region globally recognised as a place where those with the most innovative ideas can solve societal problems and create new market opportunities.' The foundations of REAP are its multi stakeholder model, and the premise that different types of businesses can make different contributions to economic growth. A focus on Innovation Driven Enterprises (or High Growth Businesses)<sup>2</sup> will see the greatest returns to the economy and society, but creating and supporting those businesses requires unique and bespoke interventions.

Recovery from Covid-19 gives an unprecedented opportunity to unlock entrepreneurialism. In the same way that the Industrial Revolution shaped towns and communities across West Yorkshire, with successful innovative businesses delivering the solutions to the opportunities and challenges of the day, we have the opportunity to do the same in today's

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<sup>1</sup> As evidenced in the [BIS Entrepreneurship Skills: literature and policy review](#) (2015)

<sup>2</sup> IDEs are defined as start-up businesses who from the outset are globally ambitious, proactively seeking external investment and innovation led. Founders have that high growth mindset, attitude and ambition that sets them apart from other start-up businesses.

West Yorkshire. Nurturing and enabling entrepreneurs to create businesses that address the challenges raised by Covid-19 of health inequalities, resilient supply chains and greater digital interactions, alongside existing critical challenges of climate change, and low productivity, through innovative partnerships and collaborations within communities to deliver better jobs and improved wellbeing.

We were already committed to tackling this pre-crisis. Now, with the prospect of rapidly rising levels of unemployment due to the impact of Covid-19 on economy, we have the opportunity to facilitate and drive an innovation-led entrepreneurial recovery that galvanises communities and builds on our extensive history and heritage of innovation and entrepreneurship.

## The West Yorkshire Offer

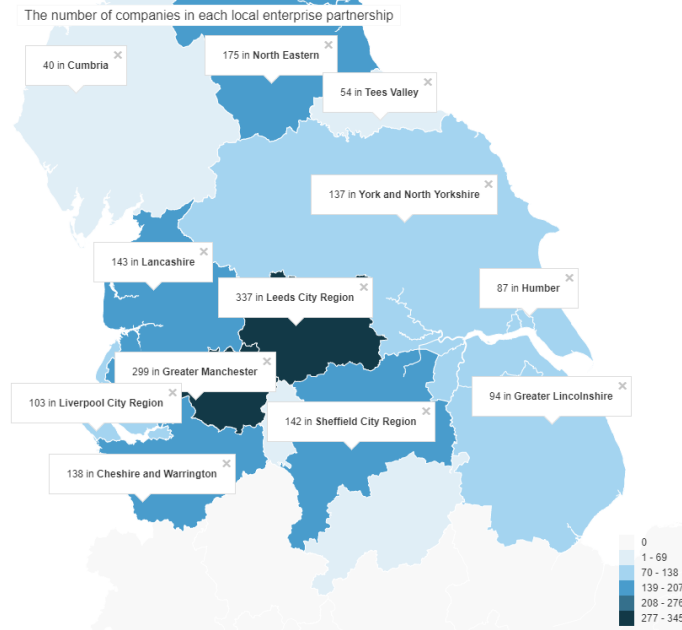
West Yorkshire is a distinct place characterised by its diversity: diversity of our communities, our people, and our economy. Our offer to Government is to deliver mission-led, diversity-driven entrepreneurship, focussed on tackling some of the key post-Covid challenges identified for our city region: tackling health and economic inequalities, delivering environmental sustainability and driving productivity.

Our focus on increasing diversity in entrepreneurship is threefold: Individuals from ethnic minority backgrounds, female, and from deprived communities will be our target. This will also mean focussing on specific approaches for specific places, from our major urban centres, to smaller high streets and rural areas. This will ensure that diversity drives our mission-led innovation approach, ensuring a fair and balanced economic recovery.

We already have the foundations upon which to build this. One in nine (11%) West Yorkshire business owners/directors are from an ethnic minority background, reflecting our diverse population. However there is more to do to generate the pathways for diverse entrepreneurs, reflected in the fact that the proportion of non-owner business leaders from ethnic minority backgrounds is lower than the share of all workers from those backgrounds – we still have underrepresentation in leadership positions. We will improve this by focussing on entrepreneurial skills, especially among young people.

We also know that there are significant opportunities to drive enterprise and entrepreneurship as we recover from a deep recession. The area has a vibrant scale up ecosystem, with more scale ups in the wider Leeds City Region than anywhere in the North – out of the 337 in the wider City Region, 258 are in West Yorkshire.

Many of these businesses are already innovating in response to Covid-19 and analysis by Beauhurst suggests 14% of them may have seen a positive impact or potential opportunity through the lockdown period. This includes companies in sectors identified as local strengths pre-Covid, which have been critical to the response, including food & drink, health tech, digital and professional services. We will make sure more entrepreneurs can be supported to respond to these opportunities in our key regional sector strengths.



The area sees the creation of huge numbers of new business, with 10,700 new businesses created in West Yorkshire in 2018, giving the scale to generate significant opportunities. However, the business birth rate of 12.3% is a little lower than the UK as a whole, meaning there is still more potential for business creation here.

With the likely prospect of higher than usual unemployment, affecting particularly some of our most disadvantaged communities, encouraging individuals to consider starting up a business to drive the economy out of recession is key plank of our recovery strategy.

Our approach to deliver all of this will focus on three main strands:

- Providing support to build capacity and capability to start a business for more entrepreneurs, creating a distinctive culture of entrepreneurship and enterprise across the City Region, underpinned by entrepreneurial skills. This can be led from our high performing City Region Growth Service, working closely with local authorities and within communities. We have a strong base from which to do this. 69% of businesses in the 2020 Leeds City Region Business Survey said they had undertaken some form of innovation in the past three years, up from 65% a year ago. However, Yorkshire & Humber spends 1.4% of GVA on R&D – less than any other English region.
- Supporting and encouraging the creation and development of high growth business start-ups as a way of driving a high growth innovation-led business recovery across the City Region. With seven universities, 91,000 students and 30,000 graduates, we have the talent and potential to transform the opportunities of future generations.
- Transforming local communities through repurposing spaces that are facing challenging times ahead as a result of the impacts of Covid-19 and the longer term trend of high street retail. This will include how to provide appropriate co-working/co-location opportunities, as well as brand new entrepreneurial environments.

To do this, we must get the building blocks right to increase the pipeline of potential entrepreneurs, delivering a step change by working closely with partners across the City

Region through the West Yorkshire Innovation Network. We need to do this across all types and scale of businesses; supporting already successful SMEs to innovate and scale-up, supporting skilled people to start new businesses and reaping the heightened sense of community engendered by the crisis to build and strengthen social enterprise.

We are already delivering support to grow our entrepreneurial base: LEAP will provide support for individuals displaced by the pandemic and inspire and support them to develop their ideas and has been established in direct response to the pandemic; and BUILD will provide a structured programme of support for potential high growth entrepreneurs to develop their ideas and take them to market. But we want to do more.

## Ask of Government

This opportunity is a priority for the LEP and Combined Authority, and we can take a significant step forward through our ambitious devolution deal. However, the scale of the challenge and opportunity presented by Covid-19 far exceeds the business as usual resources available, particularly if we are to back entrepreneurs and create more innovation driven enterprises.

- To deliver the above requires funding to provide support to new businesses throughout their journey, and it also requires funding for investment to leverage in additional private sector investment. We seek a conversation with Government to explore the opportunities to deliver against this, but see this containing the following key elements:
  - A kickstart programme to support entrepreneurs (including social enterprises) wanting to start their own business with an essential local point of contact for advice and mentoring building on our successful Growth Hub (£20m)
  - A deal for innovation led recovery – ringfenced R&D budget for West Yorkshire to complement the national funding offer via UKRI (£100m)
  - Government-backed patient capital for high growth potential pre-start businesses.
  - Long term funding to enable ongoing support to entrepreneurs as they move from idea, to established, to scale up, building on the LEAP and BUILD programmes already being piloted to include challenge competitions, investment, and collaborations with corporates (£200m).
  - Funding and flexibility to support entrepreneurial skills, particularly for young people, with Enterprise Skills programmes in communities and start-up support (£10m).
- Central to our strategy is building on existing ecosystem infrastructure (soft and hard) and we will need to work closely with key stakeholders from UKRI (building on our MOU with Innovate UK) to ensure alignment with national innovation priorities.
- Key to ensuring we deliver against our diversity driven innovation agenda is access to timely and robust data to support delivery and monitor progress. We will continue our dialogue with ONS to progress this.
- £10m funding to unlock capacity and support for identifying and utilising suitable vacant space for use by entrepreneurs, building on the findings of the WY Temporary Use commission