

GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: GC: Business Support, International and Marketing Update

DATE: 21st September 2022

FROM: Mark Hughes, Group Chief Executive, Growth Company

PURPOSE OF REPORT

To provide an update on the business situation in Greater Manchester and how, in response, The Growth Company (GC) is providing support to GM's economy. The report focuses on GC's Business Growth Hub, Business Finance, Marketing Manchester and MIDAS, and provides the key messages and activities of these services. To read a more detailed version of the report with additional activities please refer to Appendix 1.

RECOMMENDATIONS:

The GM LEP Board is requested to: Note the contents of the report.

CONTACT OFFICERS:

Mark Hughes MBE – Group Chief Executive, The Growth Company

Mark.Hughes@growthco.uk

Equalities Impact, Carbon and Sustainability Assessment:

GC is committed to putting equality, diversity and inclusion (EDI) at the centre of its services. The activities which are updated upon within this report are delivered with the recognition of the importance of supporting a diverse range of businesses and individuals and providing equal opportunities. Programmes are designed and monitored for EDI. GC has delivered all 10 organisational EDI pledges that we committed to in 2021/22. The pledges have achieved greater awareness and transparency of diversity and inclusion across GC and there are further plans set out in GC's 2022/23 business plan to build on the work achieved.

GC also supports and delivers services which contribute towards GM's ambition to achieve carbon neutral living in the city-region by 2038. This includes specific projects such as the Low Carbon programme and the newly launched online business support platform beenetzero.co.uk alongside the LEP. GC also provides a focused development programme for 'Green Economy' businesses. GC will move from its current position of Carbon Neutral to scope 1 & 2 with gold standard offset to Net Zero (Scope 1-3) with residual GHG offset through neutralisation measures in line SBTi guidance by 2035.

BUSINESS AND ECONOMIC CONTEXT

- **GC Business Survey.** 311 responses to the survey completed between the 30th July and 2nd September 2022 (previous month's results are provided in brackets).
 - **Sales and profits.** 29% (vs 22% previously) of firms reported that they experienced an increase in sales in the last month, and 68% expect profits to increase (vs 67%, and similar to that seen in Jan/Feb 2022), whilst just 3% (vs 3% previously) expect profits to decrease. Construction and Life Sciences were most likely to expect profits to rise.
 - **Investment.** 48% (vs 51%) of firms expect to increase Capex spend in the year ahead. 57% (vs 52%) of firms expect to increase their allocation towards investing in workforce development and skills, innovation (59% vs 53%), and just under half expect to increase their allocation to digital transformation (50% vs 46%).
 - **Impacts.** The main impacts facing firms are decreased sales (23% vs 27%), rising costs (23% vs 23% previously), minor supply chain issues (19% vs 20%). The proportion of firms reporting decreased sales shows variation by sector, and was most prevalent in Hospitality, Tourism, and Sport, Logistics, and Health and Social Care.
 - **Cash reserves.** 66% (vs 72%) of firms report that they have cash reserves to last over 6 months. This still represents one of the strongest positions recorded in the last 2 years. With businesses <10 also reporting greater cash flow issues.
 - **Recruitment.** 25% (vs 26% previously) of firms are currently recruiting new staff, and 49% (vs 38%) said they had difficulties recruiting for specific occupations. The main occupational groups recruiting are technical support roles (44% vs 42%), customer facing / sales roles (35% vs 45%), and managerial positions (16% vs 9%).
 - **Workforce skill gaps.** 56% (vs 55%) of firms said that their workforce skills are only 'partly' at the correct level to meet business plan objectives for the year ahead.
 - **The main pressing challenges facing business.** Access to new domestic sales opportunities (55% vs 60% previously), recruitment, workforce and skills development (46% vs 47%), developing business model and plans (46% vs 43%), managing overall business finances (35% vs 36%), and innovation (36% vs 29%).
- **The number of registered company insolvencies** up to the end of July 2022 was 1,827: 67% higher than the previous year (1,096 in July 2021), and 27% higher than the number registered three years previously (pre-pandemic; 1,440 in July 2019).

- **Creditors' Voluntary Liquidations**, In July 2022 there were 1,609 CVLs nationally, 60% higher than in July 2021 and 60% higher than July 2019. Numbers for other types of insolvencies, such as compulsory liquidations, remained lower than before the pandemic.
- **Insolvency risk**. Data for July shows that 11.6% (11.2% last month), compared with 10.9% nationally (10.6% last month). Insolvency risk in GM is higher in large businesses, 16.3% compared to the national average of 12.3%.
- **Trade**. The UK trade gap widened by £1.2bn to £27bn in the three months to July (a near all-time high since records started in 1997) as a result of rising energy imports following the war in Ukraine and weak export performance as demand from key trading partners softens.
- **Consumer spending**. Consumers are reducing spending in response to the rising cost of living. Non-essential spending was up just 3.6% when compared to August-21 (+8.0% in July), the lowest rate of growth for this category since February 2021.
- **UK Producer output (factory gate) prices** rose by 17% in the year to July 2022; this is the highest the rate has been since 1977. The largest contributions to producer costs in the last year is from oil and steel, affecting energy intensive sectors, e.g. as metals and engineering.
- **Unemployment and economic inactivity (ONS, May to July)**. Unemployment rate decreased by 0.2 percentage points on the quarter to 3.6%, the lowest rate since May to July 1974. Economic inactivity rate increased by 0.4 percentage points on the quarter to 21.7%. This increase was largely driven by students, and those reporting long-term sick. Other labour market measures suggest that the jobs market might be beginning to turn. The number of job vacancies fell by the most in two years, down -34,000 June to August, although the overall number remains historically high.

GC SUPPORT SERVICES & ACTIVITIES

Commissioning/Funding Updates

Central Government commissioning impacting delivery e.g. DCMS, BEIS, DIT and DLUHC has been understandably quiet.

- DIT has confirmed the second six-month instalment of KAM funding for MIDAS
- DCMS published response to proposals made in the de Bois DMO Review in July, including the introduction of a new structured system for DMOs, and the government will pilot the de Bois' proposed tiering model in one region of England. Marketing Manchester have expressed disappointment to DCMS about the lack of resources to fully implement the recommendations.

- DCMS with GMCA submitted Create Growth proposal, outcome expected 18th Sept.

Within GM, GC has been focused on IGM and SPF developments with key timelines of the end of October for both submissions to government departments, to progress internationalisation, innovation and support for business.

GC is also working with partners on a response approach, learning from Covid-19 to current business challenges, driven by rising energy costs, supply chain constraints, ER movements and labour market tightness. Noting the need for constant agility and alignment with the Government's Energy Plan when details of the six-month support package become known. With the death of Queen Elizabeth II, a selected number of activities, typically promotional/celebratory in nature have been cancelled/postponed whilst core delivery activity has, with appropriate adjustment in respect to for the Queen's passing, continued.

BUSINESS SUPPORT & FINANCE

- **Cost of Doing Business.** As referred to above - Activity will include: a dedicated campaign (social/digital) and microsite (similar to successful Here for Business); a series of workshops and webinars, embedded Local Authority based activity addressing urgent business survival, opportunities to change over 6-month energy support and exploitation of growth opportunities.
- **Social Value Support.** The VCSE Procurement roundtable was held in July which had both 'buyers' and 'suppliers' in attendance and discussed the following challenges, but not limited to: Time, resource and process (re: bidding), grants vs contracts, risk management processes and requirements. The group then discussed solutions of: co-design and collaboration activity, transparency, capacity building, impact targets and reporting alongside benchmarking. Notes will be shared and a follow up meeting is planned to take place with attendees to drive actions forward. Running parallel to this will be an SME procurement roundtable to be hosted in October.
- **Leadership and Management - GM Leadership Hive.** GMCA, the Growth Hub, and the four GM business schools £2m Programme to deliver executive coaching, targeted programmes and mentoring to GC BGH participants. 6 new EDP providers have been procured and will be attending a new provider induction event on 7th September. These new providers will be bringing new delivery programmes which include resilience and leadership in challenging times.

- **Creative Scaleup Programme.** The application has been submitted for Create Growth at the end of August. The outcome of the 6 successfully appointed regions is expected on the 18th September. However, the new Minister is needed to sign off and given the national time of mourning delays are expected.
- **Community Renewal Fund Start-up Support.** This is a small programme to support 200 individuals and issue 145 vouchers. 137 clients claimed to date, with 83 in progress. 129 voucher requests have been received to date, with 35 completed and claimed.
- **Green Economy.** The team has been working with large firms to broker new sales opportunities including running a [meet the buyer event for Ellard](#) to install new solar technology at their site. Next month the team will launch a campaign to onboard insulation firms to the Marketplace to support an increase in demand for insulation as part of retrofit projects.
- **Journey to Net Zero.** 7 cohort programmes delivered with over 100 businesses starting their Net Zero Journey. Cohort 8 launched on 7th September. Delegate feedback remains very positive. Discussions being led by LEP are underway regarding the development of a more holistic and larger scale programme (less shaped by ERDF requirements).
- **Energy Innovation Agency.** A press release from GMCA, the Mayor, and Agency is imminent for an MOU signed with one of our innovators in relation to local jobs and manufacturing, impact on the green economy, and on our carbon-neutral city target.
- **Innovate UK EDGE.** New Innovation Director with Innovate UK experience joined the team in Sept. Recruitment nearing completion anticipating the delivery team to be fully staffed by October.
- **Good Employment Charter.** In September, the Charter will host a leadership reference group on leadership for good employment, which will review and validate the work undertaken by Gillian Drakeford (Ex-CEO of IKEA UK). Also, in September the Charter will be partnering with ProManchester and Stribe to host a breakfast event on the City Mood and why employee engagement is critical to good work.
- **Skills for Growth SME Support.** The programme continues to be on track against profile and all 5 critical success factors (CSF) are at 100% or above. To the end of July - 5566

business engaged, 2148 SPPs (Business Plans), 2548 referrals to GM Bridge and GEC, 152 new apprenticeships created, 4625 individual skills plans, and 984 completions claimed.

- **EnterprisingYou (EY).** 53% of completers on the EY programme have reported an increase in turnover to a value of an additional £10m and 31% of completers have reported an increase in pre-tax profit, with a value of an additional £3.84m. Also, 29% of completers have reported maintaining their current turnover levels and 56% of completers have reported maintaining their pre-tax profit. Completers no longer claiming benefits remains constant at 16%.
- **Angel & Innovation Finance.** GC Angels has successfully invested £2.8m of LGF funding leveraging £18.5m of private co-investment, (£2.5m directly introduced by GC Angels) with a large and growing qualified pipeline of circa £15m
- **Start Up Loans.** 191 GM Start Ups supported with £2.61m of investment to the end August which is consistent with previous years impact. The re-procurement of the Delivery Partner contract for Start Up Loans has been initiated. Contract award expected late Q3, early Q4.

INTERNATIONAL & MARKETING

- **Manchester Accommodation Business Improvement District.** The aim of the ABID is to generate additional resource to attract overnight stays. Ballot now set to take place in early October 2022. The result of the ballot will be announced in early November and, if in favour, the ABID will commence operation from 1st April 2023 for a period of 5 years, this will involve the collection of the levy from businesses in scope and the delivery of activities in the Proposed Business Plan.
- **Business Conferences and Events.** 13 conferences won with an economic impact of £17.5m and a combined total of 7,120 delegates, and 1 sports event with an economic impact of £500,000 with 250 participants.
- **Escape the Everyday (ETE) Campaign.** Campaign finished on the 31st July, targeting London, the South-East, Glasgow and Edinburgh. The campaign delivered 30m+ impressions and 97K+ pageviews. 505 tourism experience bookings were made via the landing page, generating revenue of over £14K directly attributed to the campaign. Autumn short breaks campaign with Ryanair in Ireland, Spain and Germany.

- **PR and Content.** MM has hosted and engaged with 22 travel media, resulting in 24 pieces of coverage. Visitor economy coverage highlights include: [The Independent](#) (13m), [The Telegraph](#) (10m), [The Week](#) (3.4m), and [Global Traveler USA](#) (1.7m). Total Opportunities to See for Coverage YTD is 677.5m.

- **Sector / Thematic Campaigns**
 - **Digital in our DNA.** Film and display advertising has been developed that will be rolled out in October and November to showcase our sector strengths in FinTech, Cyber and Content Creation in domestic, US, European markets.
 - **Powering Innovation Campaign.** Campaign will focus on Autonomous Systems in the autumn, in preparation, research has been undertaken to define the key experts and narrative for the report and film featuring Jurgen Maier and other industry experts will spotlight key assets in GM.
 - New York Times – 10th October for 4 weeks focused on Advanced Machinery (Autonomous Systems, Robotics, AI)
 - Financial Times – 17th October 7 weeks focused on Green/Smart Energy solutions and Oncology – to align with COP27 and MIDAS BD activity.
 - **Greener Greater Manchester.** Content and news stories continued to be uploaded to [greenergreatermanchester.com](#), including news of Greater Manchester installing 2,000 small wind turbines across the region, plans for a solar farm in Rochdale and retrofit training courses. The media partnership with Edie.net continues, providing an OTS of 2.2million.

- **Tourism -** Travel Trade Engagement event held early September and associated activity in Washington with Visit Britain at Destination Britain North America targeting agents from across the US. Attending UK Inbound Conference in Aberdeen in Sep and World Travel Market in London in Nov.

- **MIPIM.** Outline proposal of options for Manchester Partnership Place promotion activities including MIPIM 2023 was discussed with partners including Directors of Place and the Manchester Real Estate Sounding Board. The consensus was that visibility is still key, however, affordability was also a key factor for partners, considering ongoing economic uncertainty. GM's attendance at MIPIM 2023 has been agreed with GMCA and MCC. Following consideration of 3 different site options it has been decided that the Manchester Partnership will be located on the Croisette (across from our location in 2019). It is aimed to take a delegation of between 60-80.

- **Inward Investment Project Successes.** Year to date, there have been 23 successful inward investment projects and 1,887 job creations. This is the strongest YTD position for job creation since 2018/19, and the second strongest on record. Successes involve 8 HQ, 5 R&D and 3 Low carbon projects, which will create 155 apprenticeships. All projects so far are aligned with the Local Industrial Strategy, with all job creations including salaries above the real living wage and 66% of overall job creations above £35,000.

Targeting European High-Growth Scale-Up UK HQs (cross sector). Engaged FDI consultancy, Frenger, to generate leads amongst high-growth European SMEs.

- **Innovate Manchester.** The first Innovate Manchester workshop will take place on 28th September with Musicmagpie launching an innovation challenge to improve the automatic valuation of mobile phones in their Smart Drop Kiosk available in Asda stores.
- **Deloitte Pennine Cluster Fintech Launch.** The joint prospectus outlining the strengths and opportunities of the 'Pennine Cluster' following the Government's Kalifa Review is in the final stages of completion. A launch event with the report's stakeholders including MIDAS, GMCA, Deloitte, WYCA, City of London and DIT is scheduled once the report is complete in Q3 2022 to mark the cluster's strengths and showcase the increasing strength of the region.
- **Manchester China Forum.** MCF will attend the annual Trade and Economic Forum in Manchester late October/November organised by the China Chamber of Commerce in the UK (CCCUK/Bank of China). The forum has been previously held as an annual fixture in London, so this would be the first time for the event to be hosted outside of the capital. Around 200 invites ranging from senior government officials to business partners in the UK-China context would be expected to attend.
- **Manchester India Partnership.** On 4th October the second networking night of the Manchester India Business Group will be held, where MIP Chair Simon Arora will give a TED style talk on 'Building a Business'. ON 17th October the MIP Chair will host the MIP Diwali dinner.