

## Item No. 10

### GREATER MANCHESTER LOCAL ENTERPRISE PARTNERSHIP BOARD

**SUBJECT:** Manchester Growth Company Mid-Year Performance Report

**DATE:** 16 January 2017

**FROM:** Mark Hughes, Group Chief Executive, Manchester Growth Company

---

#### 1. Background

At its meeting on 16 May 2016, the LEP Board received the Manchester Growth Company (MGC) Business Plan for the 2016/17 financial year. The purpose of this report is to present to the Board a performance review of progress against Business Plan priorities, objectives and targets during the first half of the year (April to September 2016), as part of the agreed LEP reporting cycle. It should be noted that there is a lag between the end of the reporting period and when the LEP Board receives the report as performance is first reviewed by MGC's Advisory Boards and Group Board (in November) before a report is brought to the next available LEP Board meeting.

The report comprises a high level summary of performance which is set out below.

#### 2. MGC Board membership and Senior Executive

During the year there have a number of changes to Board membership. David McKeith (GM Chamber) has stepped down and been replaced by Jane Boardman (North West Economy Partner from Deloitte). In addition, following changes within GMCA, Ian Stewart, Richard Farnell and Kieran Quinn have been replaced by Paul Dennett (Mayor of Salford), Jean Stretton (Leader of Oldham Council) and Ebrahim Adia (Bolton Council). The appointments of Mike Blackburn and Iwan Griffiths have been extended for a further term.

Drew Thomas, Managing Director of Business Support and Business Finance, has left the company and has been replaced by Donna Edwards.

#### 3. Implementation of Business Plan Priorities

Each of the Business Plan's strategic priorities has aligned against its supporting operational objectives. Progress against each of the operational objectives, with RAG ratings, has been reviewed by Group senior management and the relevant Advisory Board. The operational objective RAG ratings have been used to assign an overall rating for each strategic priority, shown at Table 1 below, and the distribution of ratings for

operational objectives is shown at Table 2 to provide an overall picture of progress and performance.

**Table 1 – Summary of RAG ratings by Strategic Priority**

RAG Rating	RAG Definition	No. Strategic Priorities
	Progress ahead of or on schedule with priority achieved or likely to be achieved	6
	Progress behind schedule but able to be recovered with good probability that priority will be achieved	1
	Progress behind schedule with key issues impeding recovery – risk that objective will not be achieved	1
	Progress behind schedule with recovery doubtful and priority unlikely to be achieved or ability to achieve priority impaired by factors which the Group cannot resolve	0

**Table 2 – RAG ratings for Strategic Priorities and Operational Objectives**

Strategic Priority	No. of Operational Objectives	RAG Ratings of Operational Objectives				Overall Rating
		Green	Yellow	Amber	Red	
1. Support & enable GM strategic priorities	19	15	4	0	0	Green
2. Drive down GM productivity gap	8	5	3	0	0	Green
3. Achieve internationalisation ambitions	4	2	1	1	0	Yellow
4. Achieve improved surplus	17	6	10	1	0	Amber
5. Improve efficiencies	6	5	1	0	0	Green
6. Integrate services	5	3	1	1	0	Green
7. Deliver internal transformation	3	2	1	0	1	Green
8. Develop MGC leadership role	4	4	0	0	0	Green
<b>TOTALS</b>	<b>67</b>	<b>42</b>	<b>21</b>	<b>3</b>	<b>1</b>	

63 of the 67 operational objectives are rated at Green or Yellow. Notable achievements during the year to date include the following:

- Successful delivery of ESOE, attracting 3,500 delegates from 80 countries, and the Science in the City Festival which attracted 40,000 visitors.
- Partnership agreements reached with all ten Local Authorities regarding their contribution to, and participation in, the Business Growth Hub.
- £500k secured from national programmes to promote Manchester as the gateway to the North and to promote the gateway message in the Middle East markets of UAE, Saudi Arabia and Kuwait.

- £16.3m of ERDF secured (to December 2018) to enable the delivery of continued, expanded and new business support services to SME's in GM with 4,300 business engagements and 1,000 assists delivered to date.
- Launch of "Better Business for All", a Growth Hub initiative, in partnership with LAs, to make businesses aware of business regulations and support their compliance.
- Rapid response to the outcome of the EU referendum with an event held for GM businesses, in Manchester, in July and ongoing support to those businesses directly impacted.
- Strong start to GM's Skills for Employment and Working Well Extension contracts with 2,000 customers attracted across the two projects.
- Secured GM funding to deliver careers education / information / advice / guidance and also to stimulate employer demand for apprenticeships in the lead up to the introduction of the Apprenticeship Levy.
- Launch of a new skills programme in partnership with Manchester Digital (MD) with trailblazer apprentices now recruited by MD member companies.
- Completion of the refreshed Internationalisation Strategy with an action plan in place.
- Attraction of 17 international conferences and 6 domestic conferences to GM with a combined economic benefit of £16.5m.
- 15 investments, totalling £13m, completed by the Co-Angel Investment Service.
- Significant expansion of the Business Finance Solutions Start Up Loan portfolio with the assignment of 12 loan books from other providers from across the country.
- Agreement in principle reached with GM developers to financially support the work of MIDAS which will enable an increase in activity.
- Strong progress on work to improve the integration of MGC services to businesses, to provide an enhanced customer experience and more ready access to a greater breadth of support services to the benefit of the client and the GM economy.
- Equally strong progress on MGC's multi-faceted Inclusive Growth and Social Value strategy with new measures to support businesses to train their staff, recruit locally and buy locally in development for introduction early in 2017.
- Completion of independent evaluations for the RGF4 Textiles Growth Programme, Inward Investment and Business Growth Hub which show a combined annual net additional GVA impact of £82m and a return on investment of 3.5 to 1.
- Establishment of a formal Northern Powerhouse Business Growth Hub network, with GM chairing.

Just three of the 67 operational objectives are rated at amber and one is rated at red. These relate to:

- SP3, international trade activity, where there are risks to achieving the new exporters target under the International Trade contract due to the late re-modelling of the contract by (as was) UKTI. The GM Export Fund remains at risk of financial under-performance following a delayed start (despite a rapid improvement in the grants pipeline following a marketing campaign over the summer) and there are delays to the GM Export Plan which requires a review following the EU referendum outcome and the finalisation of the refreshed Internationalisation Strategy. Whilst the project pipeline remains strong, there has been a slow-down in inward investment project conversions (i.e. actual investment decisions).
- SP4, commercial activity, where continued under-performance on Investors in People, largely due to uncertainty over the future of UKCES, and a slow build up to diversified consultancy activity is adversely impacting on overall surplus projections for the year.

- SP6, service integration, where the integration of various data systems with the Group's main CRM system have been delayed into 2017 due to the need to first carry out further enhancements to the main CRM system, now underway, and also due to other system development issues such as the procurement of a new Fintech system by Business Finance Solutions and delayed decisions by the Department of International Trade on their future database for contracted activity. Whilst this particular objective is at amber, it has not held back wider work on service integration across MGC which is progressing well. Therefore the overall rating for this strategic priority remains at Green.
- SP7, internal transformation, where the objective relating to achieving an improved Ofsted grade for the Group's skills provision is at red following a recent inspection where the Group failed to achieve an uplift from Level 3 due to the poor performance of sub-contracted activity. However, very strong progress, including securing an Ofsted Level 2 rating for the National Careers Service contract, is being made on the cross-MGC Internal Transformation Plan, which seeks to put in place a number of improvements and new initiatives to strengthen MGC's effectiveness and efficiency, and so the overall rating for this strategic priority remains at Green.

#### 4. KPI Performance

The 2016/17 Business Plan highlighted the Group's top 10 service delivery and economic impact targets for the year in Greater Manchester and Table 3 below presents performance to date against those targets with a RAG rating regarding performance at the end of Q2 against where we would hope to be at this stage of the year.

**Table 3 – Top 10 targets for GM**

Indicator	2016/17 Target	Performance to end of Q2	RAG
£m of additional GVA / economic impact	230	81	Y
No. of new jobs created	5,400	1,738	Y
No. of business start ups	300	135	G
£m of increased overseas & domestic sales	174	14	A
£m of grant or loan investment in existing & new businesses	24	16	G
No. of businesses supported	4,380	1,855	G
No. of inward investments into GM	90	23	A
No. of clients placed into work	11,300	4,178	G
No. of apprenticeship starts	1,623	669	G
No. of successfully completed apprenticeships*	1,346	N/A	N/A

\* Annual measure with results not known until the end of the year

Good progress is being made across a number of areas, especially with respect to business start up activity, backed up by loans from Business Finance Solutions; grant and loan investment into existing and new businesses; and the overall volume of GM businesses supported with advice and finance. The number of clients placed into employment and apprenticeship starts is also on profile at the mid-point of the year.

However, there are also challenges in meeting some targets, as follows:

- Additional GVA and new jobs created are both rated at yellow as impacts from inward investments are behind profile as Brexit has had an effect on project decisions by investors.

- Overseas sales are significantly behind target. This target was set before the amended International Trade contract was in place and it was subsequently decided by DIT to exclude export sales as a contract target. Instead the contract focuses on the volume of export orders and the number of first time exporters supported. This is driving activity towards export volumes regardless of value, indeed it is likely that the contract target will be more achievable if lower value export activity is targeted. The target for export sales is therefore no longer attainable or appropriate.
- As noted above, the number of inward investment projects secured to date is well behind profile with evidence that there has been a slowing of decisions on investment projects in the run up to and since the EU referendum. There is a high risk, therefore, that this target will not be met.

## **5. Future Reports**

Work is currently underway to produce MGC's new Business Plan for 2017/18 and this will be brought to the LEP Board in May 2017.

The out-turn performance report for the current year will be brought to the LEP Board in July 2017.