

Join the conversation: #YorkshireMatters

Summer 2016



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A Yorkshire welcome

Welcome to Yorkshire Matters, in which we'll be celebrating our dynamic county, and keeping you up to date with developments that affect businesses and organisations based here.

We're kicking off this edition with a look at PwC's latest CEO survey¹, and what this tells us about UK **growth and jobs** in general, and our own region in particular. And broadly, the news is good. Despite some continuing uncertainty, UK CEOs are holding their nerve, and more bullish about long-term growth than those in mainland Europe. They're more ambitious, more confident, and they're preparing to hire more people.

The Survey also looked at the trends that worry CEOs, and high on the list is **cybersecurity**, with 75% of UK CEOs citing this as a concern, up from 67% last year. This compares to a global average of 61%, so why is the figure so much higher here? We look for some answers later in this issue.

People and skills are another recurring theme, with high prominence every year. This time round 54% of UK CEO's are focused on workplace culture and behaviours versus 41% globally, and we'll be exploring the all-important talent agenda.

We also have articles on **business**

continuity, a thriving Yorkshire **social enterprise**, and a look ahead to the **Yorkshire Post Excellence in Business Awards**.

Finally, as we all know, the UK Government has called a referendum on 23 June 2016 to decide whether the UK should leave or remain in the EU.

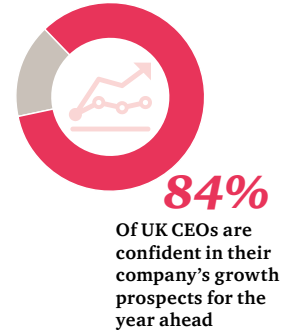
As a firm, we have been analysing the potential implications of the referendum outcomes on our own organisation, as well as the potential impact on sectors and businesses in the UK and internationally.

To find out more and keep up to date visit our EU dedicated website <http://www.pwc.co.uk/the-eu-referendum.html>

I hope you enjoy this publication – if you have ideas about subjects we could cover in the future, just let me know.



Ian Morrison
Yorkshire & North East
Regional Leader



Growth and jobs

Retaining local business rates has the potential to better incentivise economic development and enable local voices to define clearly how this should happen.

The private sector is the vital engine for job creation and growth and this initiative should pave the way for councils to use these new powers to attract businesses and regenerate high streets.

As our latest economic forecast shows,² the UK's economy is doing pretty well. Although there are concerns about a slowdown in China, the Eurozone is still sluggish, and the world is still a volatile place, the domestic outlook is relatively strong. Low oil prices are a big factor here. Our economists expect UK GDP growth to average around 2.2 – 2.3% in both 2016 and 2017, driven by consumer spending and business investment, and there could be more upside, too, if productivity can be improved. Inflation is likely to remain subdued, but could start to rise slowly in 2017, and interest rates are likely to do the same, though they could still be as low as 2% in 2020. London will be the highest-growth region, at around 3%, but we expect the North to be in the region of 2%.

We expect national jobs growth of up to three million by 2025, with health and education accounting for a third of that rise. In fact, they could well become the country's biggest services sectors. Business services will continue to grow, followed by distribution, hotels and restaurants.

On the other hand, manufacturing jobs could fall by a further 600,000 to around two million by 2025, as more processes are automated, and overseas businesses continue to provide fierce competition. Around 150,000 jobs could be lost in public administration, defence, and social security.

So where does that leave our region? And what about the Chancellor's ongoing focus on the 'Northern Powerhouse'? There was good news on the transport front, with £60m committed in the Budget to the development of 'Northern Powerhouse Rail' – an East-West rail link to improve connections between Manchester and Leeds.

The public sector is the largest employer in Yorkshire (38%), and our industrial base is balanced towards manufacturing, though we also have a strong base in business services and Retail and Consumer, and some real strengths in technology, and Health and Life Sciences.

So the picture is a mixed one for our region: challenges for jobs in the public sector and traditional heavy

manufacturing, but opportunities to exploit strengths in the hospitality sector, and create high-skilled jobs in the high-growth industries of tomorrow.

Delivering devolution

Nearly a quarter of this year's Budget Report was devoted to the Chancellor's 'devolution revolution', which is taking more decision-making, funding, and policy-making powers away from Whitehall and giving them to the regions. As part of the budget, new measures were announced to further this agenda in Lincolnshire, Greater East Anglia, Cardiff, and the West of England.

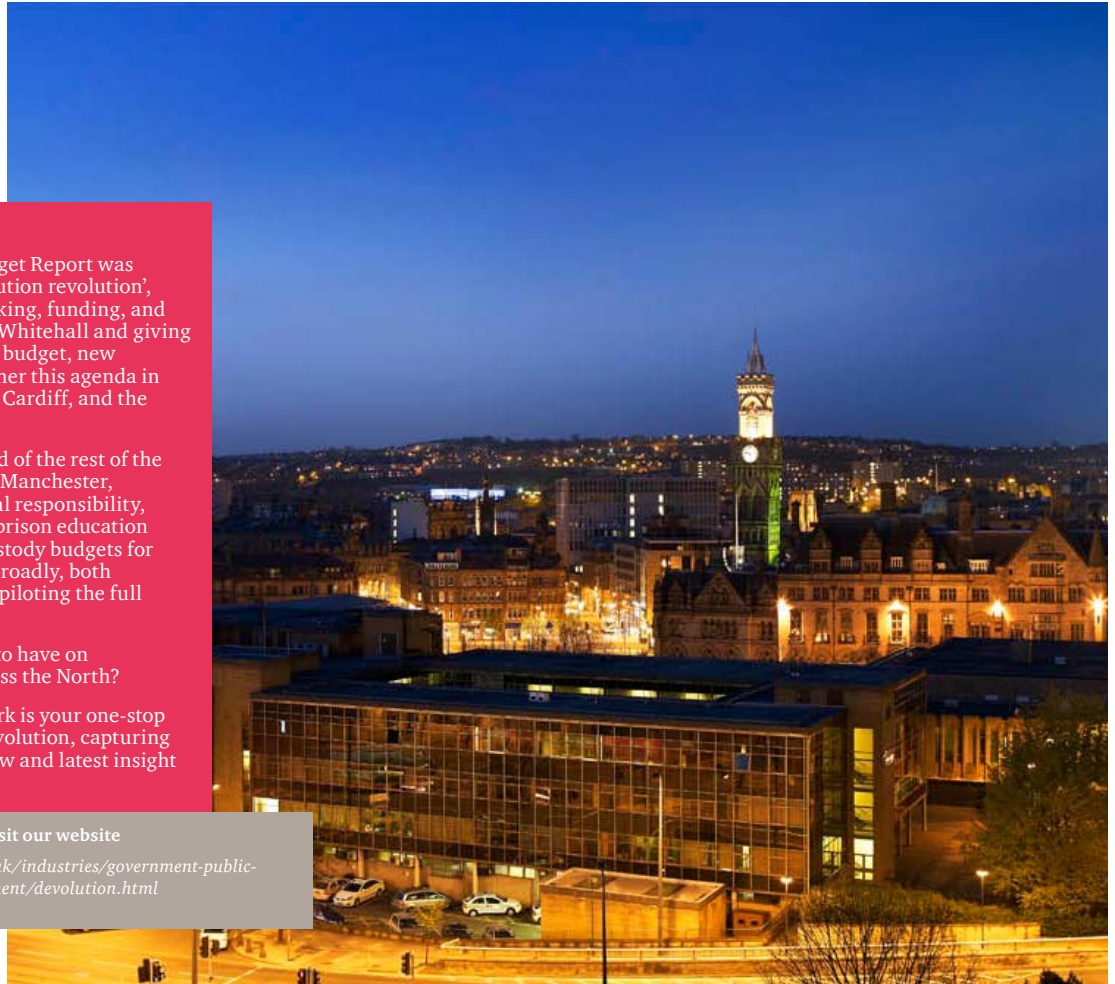
Yet it's clear the North is still ahead of the rest of the pack – in a fourth deal for Greater Manchester, criminal justice will become a local responsibility, including offender management, prison education services, the prison estate, and custody budgets for women offenders. Looking more broadly, both Manchester and Liverpool will be piloting the full retention of business rates.

So what impact is this shift going to have on organisations and companies across the North?

PwC's Devolution Delivery Network is your one-stop shop for everything relating to devolution, capturing our insights, experience, know-how and latest insight reports all in one place.

To find out more visit our website

<http://www.pwc.co.uk/industries/government-public-sector/local-government/devolution.html>



Doing the business: M&A in the region

One of the questions in the CEO Survey this year was about companies' plans for future M&A activity, and 33% of UK CEOs answered that they were aiming to complete a domestic M&A deal in the coming year. This certainly tallies with our own experience –in the last few months we've worked on significant deals like the sale of Volvox to the Elysian Capital private equity house, the acquisition of Shepherd Homes, and Bowmark Capital's majority stake in Nexus Vehicle Rental. We're gearing up to support the next wave of transactions likely to materialise over the coming months.

Last year we recruited two new partners: Stephen Moore and Will Oxley.

Stephen heads up Corporate Finance in Yorkshire, based in Leeds. He has special expertise in M&A, disposals, IPOs and restructuring for FTSE 250 and 350 listed companies, mid-market private equity houses and private businesses.

Will Oxley, also based in Leeds, focuses on transaction services. He's well-known and respected in the region, with long-established relationships with private equity firms, funders and corporate clients.



“Market confidence continues to improve in the region, which is reflected in the number of deals the team has been involved in recently.”

– Will Oxley

“It is a great time to be doing business in Yorkshire and if you look at what's been happening recently with the funds that have been raised and the businesses that are here, the market is very much open for business.”

– Stephen Moore

Both Stephen and Will would be happy to discuss any deal activity you are planning.

You can contact them on:

Stephen Moore, T: 0113 289 4111 Will Oxley, T: 0113 289 4397

PwC industry perspectives



Manufacturing

The manufacturing report produced from this year's Annual UK CEO Survey puts the ongoing uncertainty in industrial manufacturing across the world down to the long-term changes caused by globalisation, and the shift to a world where there are many different dimensions of power, growth, and risk. In other words, a 'multi-polar' world.

It may well be true, at a global and macro level, but how relevant is such an observation to our own manufacturing industries, here in Yorkshire? In fact, if the last six months tell us anything, it's that our region is more affected than ever before by the international nature of manufacturing. The Yorkshire manufacturers I work with – mainly in the steel industry and Oil and Gas – know better than most that there are perils in ignoring the global factor, and in their case the signs had been ominous for some time.

The questions my clients are asking now are not about local issues. They're asking what will happen to growth in China, what the effect of relaxing of trade constraints with Iran will do to the oil price, and what the impact will be in the supply chain. And they are not alone; this is

how local businesses have to think these days. Not locally, regionally or even nationally, but internationally.

There are risks out there, undoubtedly, but the manufacturing community across the world can see cause for cautious optimism further ahead, despite the immediate turbulence. And while headlines like 'Industry 4.0' are a little corny for down-to-earth Yorkshire folk, we do have a huge number of manufacturers who are genuinely at the leading edge of innovation, and embracing new technology to solve age-old problems. There are data engineers working alongside production engineers, and companies introducing robotics into the manufacturing process to free up employees to focus on R&D and after-sales services.

In fact, I challenge anyone to come up with an industry that has a stronger track record of evolving and innovating – whether that's new product development or process efficiency through lean manufacturing techniques. This is why I'm confident our manufacturers in Yorkshire will be able to adapt quickly to the new 'multi-polar' environment, by embracing the digital revolution and the power of connectivity. It won't be easy, but if anyone can, Yorkshire can.

*To discuss further, you can contact
Kevin on 0114 259 8270*

Cybersecurity

It's often said that, in business, there are three main catalysts for change: technology, regulation, and crisis. When it comes to cybersecurity, all three are coming together to create a perfect storm. It's an extremely fast-moving environment that's presenting serious risks to many businesses, as the many high-profile media stories of the last few months have shown.

PwC has run two big global surveys in this area in the last few months. In the Global State of Information Security Survey, UK respondents reported over 4,700 cybersecurity incidents in the preceding year, many of them related to mobile phone technology, and many of them perpetrated by employees, or with their collusion. Across the world, the average cost of such a breach is as high as £1.7m.

The Global Economic Crime Survey was published in February 2016,

including a report looking specifically at the UK. And as this report points out, cybercrime is an area where the UK is ahead of the trend in all the wrong ways: 44% of UK respondents who had been the victim of economic crime in the previous two years had also suffered some sort of cyber incident. That's up from 24% in 2014, and is much higher than the global average of 32%.

As David Burg, PwC's Global Cybersecurity Leader, said at the launch, 'Too many companies see cyber as an IT issue not a pervasive board-level priority.'

To discuss how to keep your business secure call Paul Brady on T: 0191 269 4154

Carphone Warehouse

Personal data of 2.4m customers may have been compromised with credit card details of 90,000 likely stolen.

Home Depot

53 million email addresses – Hackers use passwords stolen from vendor to gain access to retailer's systems.

Wm Morrison

100,000 payroll records stolen by an employee.

Sony Pictures Hack

\$100 million expected costs and almost sparks international incident between USA and Korea.

Jamie Oliver's site

Serves up a tasty slice of malware.

Marks and Spencer

Website suspended after shocked customers get access to other shoppers' personal details.

TalkTalk

Value falls by £669m in a week after cyber attack.

Vodafone

Thousands of customer details stolen in hack.

Stockport Primary Care Trust

£100,000 monetary penalty served by ICO following discovery of patient records at a site formerly owned by the Trust.

British Pregnancy Advice Service

Fined £200,000. Hacker threatened to publish thousands of names of people who sought advice on abortion, pregnancy and contraception.

Six steps to better cybersecurity

It's not if but when

Build an intelligence-led defence, enabling rapid detection and containment.

- Continuity and resilience
- Crisis management
- Incident response and forensics
- Monitoring and detection

Fix the basics

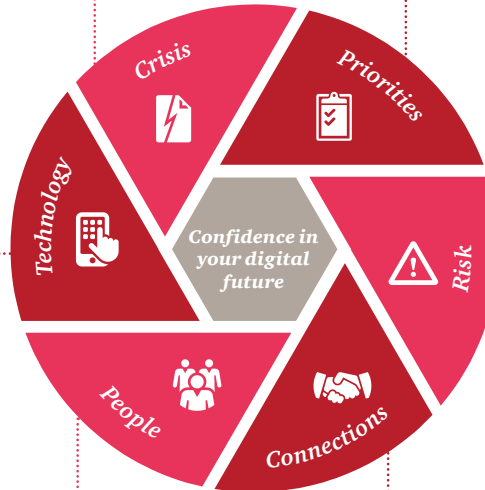
Use technology to your advantage:

- Configure and patch technology appropriately
- Identity and access management
- Information technology, operations technology and consumer technology
- IT security hygiene
- Security intelligence and analytics

People matter

Build and maintain a secure culture, where people are aware of their critical security decisions.

- Insider threat management
- People and 'moments that matter'
- Security culture and awareness



You can't secure everything

Set the right priorities.

- Enterprise security architecture
- Protect what matters
- Strategy, organisation and governance
- Threat intelligence

Seize the advantage

We help you exploit digital opportunity with confidence.

- Digital trust is embedded in the strategy
- Privacy and cyber security legal compliance
- Risk management and risk appetite

Their risk is your risk

Understand and manage risk in your interconnected business ecosystem.

- Digital channels
- Partner and supplier management
- Robust contracts

People and skills

Yorkshire has a skilled and talented workforce, from world-leading services professionals to people working in highly technical and specialised roles in companies like Life Sciences. But like every other part of the UK – and every other market across the world – our region needs to attract and retain new talent for the future. In this year's CEO Survey, 50% of the UK's respondents said they're changing how they manage their pipeline of future leaders to help attract, retain and engage the people they need to remain relevant and competitive. They're looking for people who don't just have the right role-related skills, but are comfortable with digital technology too, especially the much-talked about 'millennial generation'

The major demographic changes we're seeing across the world mean that 'millennials' are making up an ever-growing proportion of the workforce, and this will rise to around 50% by 2020.³ These young people have different goals for their working lives than previous generations did. They

want a comfortable lifestyle and the money to finance it, but they also want more intangible things from work, like the chance to achieve, and a sense of connection and purpose. They see careers as portfolios of experiences rather than a ladder to be climbed in one organisation, and hence only 18% plan to stay in their current role for the long term.⁴

So how do companies attract and keep these talented young people? Getting the basics like pay and benefits is important, but clearly working culture and values have a very large part to play. Millennials want to be proud of their employer – to feel their company's values match their own, that they're doing work

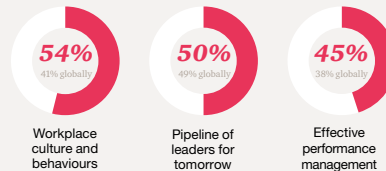
that's worthwhile, and that their employer behaves ethically and responsibly. This is an important area to focus on, as part of your HR strategy. But remember that values can't be dreamed up by consultants, or dictated by the Board. They need to be genuine reflection of 'what it's like to work here'.

Too often, there's a disconnect between the 'words on the wall', and employees' actual experience, and millennials are acutely attuned to inauthenticity in all its forms, whether in brands, in politics, or in their workplace.



Investing in people

Top three areas of focus for UK CEOs



³ Millennials at work: Reshaping the workplace, PwC, 2011

⁴ Millennials at work: Reshaping the workplace

Investing in skills and training in Sheffield

The Sheffield City Skills Bank is a great example of the value of positive collaboration between business and government.

The Sheffield City Region employs over 700,000 people across over 50,000 different businesses. It's a vibrant and dynamic area which includes advanced manufacturing, engineering and materials as well as creative and digital firms, health care technologies and aerospace. The nine local authorities in the region are now coming together to make it easier for employers in these sectors to access training for their employees. It's all part of a plan to create 70,000 new private sector jobs, and 30,000 highly skilled one before 2025.

PwC have been appointed as the Sheffield City Region Skills Bank Operator. We're responsible for the management and operation of the Skills Bank including procurement of training providers, employer engagement and marketing, operation of triage and brokerage services, supporting development of Skills Deals and overall contractual, performance and financial management of the fund.

The Skills Bank is there to provide access to training, and employers who qualify will have access to investment in skills and training which will help them to unlock their growth potential.

Investment is made on a deal by deal basis and any employers who are interested should get in touch with the team at:
www.sheffieldcityregionsskillsbank.co.uk



Keeping the lights on

Business continuity



The Boxing Day floods in the region was a salutary reminder – if one was needed – that you can never be too well prepared. Homes and businesses across Yorkshire were affected including PwC's own offices.

We've done a lot of work in recent months, helping organisations locally set up and test their business continuity plans, and many of them saw the value of this preparation when the floods came.

While some elements of business continuity planning are common to all organisations, others are specific to certain sectors or industries. For example, reputation and supply chain issues are key in retail, financial services companies will need to take account of regulatory requirements, and rail companies need to be mindful of their franchise obligations. Transport, utilities, and public sector bodies are also bound by the Civil Contingencies Act.

With budgets tight, the risk is that business continuity planning gets overlooked or given too low a priority. We can help review your

plan, and – even more important – test its effectiveness with robust and realistic simulation exercises. We've also developed a handy incident management app, which our clients are finding really useful.

*To protect your business call
Peter White on 0113 288 2152
to discuss*



Doing the right thing

Social enterprise

You've probably had a cup of Cafédirect coffee, or eaten Divine chocolate. You may even have had a meal at a Jamie Oliver Fifteen restaurant. What you might not have realised is that you were supporting a social enterprise. There are now at least 70,000 organisations like this in the UK, contributing over £18 billion to the UK economy every year. The origins of the social enterprise model go back to the Victorian era, but they've become a new and vibrant model for 21st century business, bringing together the ethical principles and goals of the charity sector with the same professional approach to business you'd expect from an SME.

And this is a sector that's thriving in our region. Take **Pippa Chapman**. She runs Those Plant People, a horticultural social enterprise, designing and creating therapeutic gardens in the community. One of her recent projects was to create a garden for people with dementia, as part of Keighley's Healthy High Streets campaign. The design used colours, shapes, [and scents?] to make this

special space peaceful, appealing and stimulating.

We've been supporting social entrepreneurs like Pippa through our community and mentoring programmes for several years now, including working with students of the School for Social Entrepreneurs. Our mentor Honey Caseldine has helped Pippa grow her venture by providing advice, ideas, and a really useful sounding board. As Pippa says, 'Honey's mentoring has been really inspiring and I can't express how helpful her support has been as well as her enthusiasm for what we do. Honey has helped me to be more focused and I'm feeling quite excited about the future of my enterprise'

Mentoring is particularly valuable, and not just for the person being mentored, but for our PwC team as well. They can gain new experience, develop their own skills, and feel that they're doing something worthwhile

For more information visit our website

<http://firestation.pwc.co.uk/are-you-a-social-entrepreneur.html>

at the same time.'It is hard to put into words how much I have got out of the mentoring programme,' says Honey. 'It is such a great feeling to know you have made a difference to someone's life. What has worked so well in my partnership with Pippa is that we have always been very open and

honest with each other. In addition, she also took away things from our discussion, took responsibility for them and came back having taken action, with thoughts on what she wanted to cover next. It was a two way commitment. I am very grateful to have had this opportunity.'



Pippa Chapman

Local heroes

Yorkshire Post Excellence in Business Awards

The Yorkshire Post's flagship Excellence in Business Awards honour the brightest and best enterprises in our region.

The awards, which were established in 2006, are open to firms of all shapes and sizes and PwC is once again proud to be a main sponsor alongside Yorkshire Bank and DLA Piper.

Entries are welcome from large multi-national firms, and companies that were established on a kitchen table or inside a laboratory. The awards honour household names, and help to spot the rising stars of the corporate world.

With 60% of UK economic activity now generated outside of London and the south-east of England and around £100bn of public expenditure moving to the regions, we are determined to ensure that Yorkshire's regional network fosters and develops the 'devolution revolution' and its empowering impact on local business.

In other awards we are involved in we've seen **Chery Williams**, chief executive of the Yorkshire Wildlife Park Foundation and Julie Kenney, CEO of Rotherham based Pyronix, each named

as Private Businesswoman of the Year, and so we know the calibre of Yorkshire business leaders.

With role models like these we know the region can develop entrepreneurial men and women who can create and grow some of the UK's greatest businesses and we want to ensure their efforts and talents are recognised.

Business awards are now seen as a serious marketing tool by companies seeking to showcase their products, services and market capabilities and **Gordon Singer**, PwC partner and Yorkshire Private Business leader says the Yorkshire Post Excellence in Business Awards is a great platform to shout about what is great in our region.

“We have businesses of all shapes and sizes that are worthy of recognition. PwC is proud to sponsor the £10-50m turnover category because these businesses form the backbone of our local economy and are so often those where there is market leading innovation and growth.

Judging these awards is one of my highlights of the year and as someone who is passionate about business, I encourage any business with a story to tell to get involved.”

– **Gordon Singer**

PwC partner and Yorkshire Private Business leader

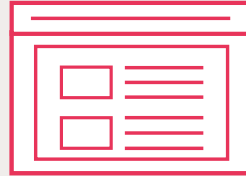


Lateral thinking on business funding

Last September we launched a new 'Finpoint' funding platform, in partnership with the Leeds City Region Enterprise Partnership. It's a dynamic new way for SMEs to find the finance they need to grow their business, whether from traditional lenders like banks, or the range of alternative sources that are now springing up, including crowdfunding. It's free, simple, and saves business owners valuable time because one single application reaches 70 possible sources of funds.

Finpoint has a great track record in Germany, and helped more than 5,000 small firms raise over €200m last year. There are over 100,000 SMEs in the Leeds area alone, and as Stuart Howie, our Corporate Finance director says, 'These businesses are a key part of the economy and we want to make it easier for them to grow and succeed. We know that access to finance can often be the main barrier to them doing this, so Finpoint could be a real breakthrough.'

To find out more visit www.the-lep.com/finpoint or contact **Stuart Howie** at PwC, on 0113 289 4811



Step 1

Provide details about your business and your financial requirements



Step 2

PwC will contact you to perform a completeness review of your information



Step 3

You receive alerts from interested lenders that you accept or decline



Step 4

You negotiate directly with the lenders you have selected in Step 3

My Taxpartner

Our expertise at your fingertips

My Taxpartner gives people access to the insight, knowledge and expertise you need to manage Tax, Legal and HR challenges without having to pick up the phone to an advisor.

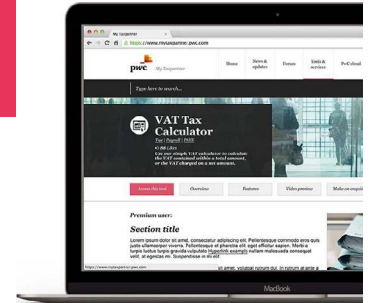
Free access to 120 calculators, guides and precedents to help meet your business's Tax, Legal and HR needs.



Information and insight to help with compliance obligations and strategic planning



A day-to-day research resource for you and your team



Scan here or visit:
mytaxpartner.com



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