

Cabinet – 10 May 2012

Report of the Chief Executive

Electoral Divisions affected: All

Lancashire Business Growth Package

(Appendix 1 refers)

Contact for further information: Martin Kelly, [01772 536197](tel:01772536197), Office of the Chief Executive, Martin.kelly@lancashire.gov.uk

Executive Summary

In April, the Cabinet received an update report on key economic development priorities. As agreed, this report provides more detail on business support services in Lancashire, and the role they play in realising the growth potential of existing and new local companies.

This report also sets out a Business Growth Package (BGP), which could be funded by the County Council. By deploying (up to) £3.5m of funding from the County Council's Economic Development and Infrastructure Budget, it is possible to match this investment with nearly £3.3m of additional funding from the European Regional Development Fund (ERDF). The BGP, as a whole, would be expected to engage with 10,000 established local businesses, work intensively with a further 1,500 new and high growth enterprises, whilst helping to create 500 new companies and generate nearly 1,500 new jobs.

Specifically, new business and employment growth would be delivered by funding:-

- Support to allow businesses to successfully access finance for expansion;
- Support to bring forward new high growth start-up businesses employing staff of their own;
- The marketing of Lancashire and its premium sites to inward investing companies who employ local staff; and
- A "Hub" which makes it more likely that the right firms find the right support to realise their full growth potential.

The BGP would complement the County Council's business support programme, which is managed by Lancashire County Developments Limited (LCDL), including the Rosebud loan fund. The BGP would also complement existing national provision. The BGP has also been informed by a detailed audit and mapping of business support programmes currently available to new and established companies based in Lancashire, which is captured in Appendix 1.

In summary, this analysis concluded that:

- There will be a continued business start-up support offer both from national programmes and from "Start-Up Lancashire" - an ERDF programme match-

funded by a consortium of local District and Unitary Councils, Enterprise Trusts and Chambers.

- There is specific support for start-ups who are likely to grow rapidly and take on staff. This service is only current available in east Lancashire, but there is real value in extending this provision to cover the County as a whole. This extension would be eligible for ERDF support and could help establish 300 new businesses and create a minimum of 600 new jobs.
- The nationally funded Business Coaching for Growth contract will focus on businesses (termed "gazelles") that have exhibited 20% growth year-on-year for the past three years. These are relatively small in number, but clearly offer the prospect of increased competitiveness and employment within the local economy.
- Access to business finance remains a key concern across the business community. Businesses need help to understand the range of bank and private finance products on offer and to present their business as "investment ready". Businesses also need support to understand how to choose and apply for publicly funded business finance solutions, including Rosebud and the North West Investment Fund. An effective Access to Finance Service has been retained since the closure of Business Link, but this also requires match funding to operate in Lancashire.
- There is a need to build a greater awareness of the range of public and private business support solutions that exist to support growth. Government has proposed that each LEP area should have a "Growth Hub" as a focus to bring businesses and services together, and as a conduit for potential further funding. The County Council could take the lead in shaping and delivering the Lancashire Business Growth Hub, in conjunction with key local partners, in support of the objectives of the Lancashire Enterprise Partnership. There are also significant ERDF opportunities available to match fund any financial support provided by the County Council.
- Compared to neighbouring competitor sub-regions, Lancashire has failed to strategically market its economic offer, its key business locations, and the skills of local people to help attract new businesses and create new opportunities within the local labour market. However, the recently established Enterprise Zone, when combined with other key development opportunities, provides the opportunity to re-position and present Lancashire as an investor destination of choice for high value businesses and growth sectors.

Recommendations

Cabinet is asked to:

- i. Note the audit/mapping of the available business support offer available to companies in Lancashire, as set out in Appendix 1;

- ii. Authorise the Chief Executive, in conjunction with Leader of the County Council and the Cabinet Member for Economic Development, Environment and Planning to finalise with local partners the funding and delivery arrangements of the Lancashire Business Growth Hub, including investment of up to £2m from the Council's Economic Development and Infrastructure Budget;
- iii. Approve match funding of £900,000 from the Council's Economic Development and Infrastructure Budget to ensure the delivery of a pan-Lancashire Growth Start-Up programme;
- iv. Approve match funding of £372,800 from the Council's Economic Development and Infrastructure Budget to support the Access to Finance North West service in Lancashire; and
- v. Approve the funding of £250,000 from the County Council's Economic Development and Infrastructure Budget to support the marketing of Lancashire as an investor/ business location of choice.

1. Background and Advice

- 1.1 Over the last two years, a range of nationally contracted business support services have been commissioned and supported by Government. These include a national Business Link Service, UK Trade and Investment Service and new structures for the Manufacturing Advisory Service and Technology Strategy Board. These services are well designed and offer key support to the business community, but they are yet to be fully understood and accepted by the business community.
- 1.2 The abolition of the North West Development Agency and the North West Business Link has also changed the regional business support landscape.
- 1.3 Sub-regional and local provision has also developed in response to new national policy initiatives and funding streams by accessing programmes such as the Regional Growth Fund and the European Regional Development Fund (ERDF) programme for the North West.
- 1.4 The purpose of this report is to present a Business Growth Package (BGP), if funded by the County Council, could help to accelerate further business and employment growth in Lancashire.
- 1.5 The BGP is informed by an audit/mapping of existing mainstream provision available to local businesses, which is summarised at Appendix 1.
- 1.6 The BGP, if supported, would complement and improve existing mainstream business support in Lancashire and could take advantage of significant opportunities to match County Council funding with ERDF support.

2. Mapping of Current Business Support

- 2.1** The mapping analysis (at Appendix 1) sets out the range of national, regional and sub-regional publicly funded provision currently available to businesses within Lancashire. This provision is delivered by numerous providers from nationally contracted delivery partners to those offered by specialist local business support agencies and the Higher Education sector.
- 2.2** Commercial intermediaries and advisors such as accountancy and law firms are also key players in supporting and developing the local business base, especially Small and Medium Sized Enterprises (SMEs). An effective business support infrastructure must use of the skills within this part of the market with any additional publicly-funded business support services only commissioned to address key market failures.
- 2.3** Whilst a number of the programmes particularly those in the Higher Education sector are coming to an end, there remains a core business support offer in place across the business life-cycle.
- 2.4** Research published by NESTA shows that the six per cent of UK businesses with the highest growth rates generated half of the new jobs created by existing businesses between 2002 and 2008. The Government's Business Coaching for Growth Programme is aimed specifically at this group. This mirrors the priorities set within the County Council's Economic Development Strategy to focus on opportunities presented by key businesses and growing sectors.
- 2.5** The current local business support offer also includes a range of provision to support business start-up both through national initiatives and support and through the Start-Up Lancashire Programme, which is resourced by ERDF funds matched by a consortium of local District Councils, Enterprise Agencies and local Chambers of Commerce. Whilst an offer of generic start-up support is welcome, these programmes support a broad range of business types and can be less effective in generating jobs and added value than programmes which specifically target growth.
- 2.6** Despite the apparent breadth of the current publicly funded business support offer, there remain some key areas where the demands of businesses with growth potential are not being met. These are:
- The opportunity to develop a Growth Start-up for the whole County;
 - A service to deliver face to face support to access private and public business finance products;
 - The need to broaden the range of business finance solutions available locally by promoting other mechanisms such as Business Angels and Lending Circles;
 - The need to build awareness and use of appropriate private and publicly funded business solutions to support business growth; and

- Limited strategic marketing of Lancashire as a business location is a disadvantage against competing areas.

3. Complementary Resource Opportunities

- 3.1 The current North West Operational Programme, which is responsible for distributing ERDF resource, is drawing to a close and ends in 2015. However, up to £60million of funding is still available to be spent on eligible projects which deliver jobs and growth within the region.
- 3.2 As part of the process to utilise this resource, a call for projects is expected to be issued in mid- May. It is anticipated that £15m will be made available. This resource has been set aside to establish Business Growth Hubs and the service offer contained within them.
- 3.3 Lancashire is in a strong position to utilise its own economic development resource and draw-down ERDF match-funds which will complement the delivery of local strategic priorities.
- 3.4 The ERDF programme, post-2013, is also likely to make Growth Hubs a central feature of new business support programmes in the North West.

4 Lancashire Business Growth Package

- 4.1 Given the analysis set out above and the funding opportunity presently on offer it is suggested the priorities for County Council support should be to:
 - Establish the Lancashire Business Growth Hub to promote effective referral of businesses to high quality public and private support, and as a conduit for further business support funding.
 - Extend growth start-up support provision to cover the County as a whole.
 - Resource the Access to Finance Service to provide one to one business support and group training to Lancashire businesses to improve their access to and understanding of commercial and public business finance products.
 - Provide funding support to resource the strategic marketing of Lancashire as a location for inward Investment, including the marketing of key economic assets such as the Enterprise Zone.

4.2 Lancashire Business Growth Hub

4.2.1 Government has been actively promoting the establishment of a network of business growth hubs across the country as a practical way in which Local Enterprise Partnerships can direct support towards local businesses with growth potential.

4.2.2 The form of growth hubs is not prescribed, but they are generally set up as a website/portal which helps to guide businesses seeking help to a range of programmes and providers of services who might be able to assist them.

4.2.3 The proposed functions and benefits of the Lancashire Business Growth Hub are that:

- It will draw together a now fragmented and complex business support offer within Lancashire to ensure local businesses can find the public or privately funded business support which best meets their needs. This service will be open to all Lancashire businesses whether they are seeking help to start-up or those that are established and seeking to grow. The Hub will be a practical demonstration that Lancashire is committed to business and enterprise and has the service to nurture and grow local businesses.
- However, the services on offer within the Growth Hub will be organised around key business growth activities:
 - Acquisition;
 - Increasing productivity;
 - Developing new products and services;
 - Getting into new markets, and
 - Increasing sales.

Behind each element there will be a combination of online support, which could be provided by One Connect Limited, relevant business training events and networks, plus one-to-one services with the business.

- Many businesses will have a clear understanding of the issues they are seeking to address and will find a range of self service solutions on the website. For others, problems may be less tangible and they may look for external support to analyse the aspects of their business which are impacting their ability to grow. In addition to the website, the Growth Hub would provide individual support to help work up investment plans

and identify support options.

- Having identified barriers to growth and potential solutions many businesses still fail to proceed with addressing these issues as they lack the resources (financial, managerial or time) to properly engage with business development solutions. The Growth Hub proposal seeks to address this issue by providing resource to encourage businesses to embark on the business development process. This could take the form of vouchers or loans which cover the cost of initial support and demonstrate the business benefit of engaging in this activity.
- Within Lancashire, it is also vital that the Growth Hub develops a strong sectoral offer. The Hub proposal would work with a minimum of 20 businesses within each of our 5 priority sectors to provide an extensive benchmarking of their current business processes. This would highlight opportunities for improvement and help assess the impact and change within the business of this intervention.
- The final component we are seeking to resource within the Growth Hub would be access to a set of local business mentors who can share their own practical business experience with new and growing businesses. The knowledge of these mentors, acquired by working through the same situations businesses currently experience, is invaluable in realising new growth opportunities.

4.2.4 Under the auspices of the Lancashire Enterprise Partnership, the County Council can lead and help establish a Growth Hub that makes current and future business support provision more legible and accessible to local companies.

4.2.5 There is consistent support from all key business partners in Lancashire for this proposal, including the Chambers and existing business support providers.

4.2.6 Given the range of public and private business support which is already available, the Growth Hub proposal could be rolled-out immediately. The proposition would then grow as ERDF funded service components were approved in September.

4.2.7 The Hub proposal would also seek to become financially self-sustaining over the first three years of its life by attracting sponsorship income as a key business communication channel and by recovering costs from service referrals.

4.2.8 The scope of the call for Growth Hub proposals to be supported by ERDF in the North West is expected to cover both the creation of this portal, the processes by which business needs are analysed and assessed, and the funding of services which fill gaps in current provision.

4.2.9 However, the full detail of the forthcoming ERDF call is not known. Therefore, subject to Cabinet approval, it is requested the Chief Executive, in conjunction with the Leader and Cabinet Member for Economic Development, Environment and Planning be authorised to finalise the arrangements to establish the Lancashire Growth Hub. Up to a maximum of £2m from the County Council's economic development budget would be invested in the Growth Hub initiative.

4.2.10 The key elements, costs and outputs associated with establishing the Lancashire Business Growth Hub are set out below.

Activity	LCC Funding	Potential ERDF Match	Outputs	Duration
Awareness/ Marketing / Business Seminar / Master-class Programme	£200,000	£200,000	10,000 Individual Company Contacts 18 Business Dev. Events	July 2012 – June 2015
Enquiry Handling and referral	£400,000	£400,000	4,500 Business Diagnostics 5,000 Ref to appropriate support	Sept 2012 – June 2015
Sector Growth Business Programme	£700,000	£700,000	100 Businesses 20 per sector 100 Detailed Benchmarking (x2)	July 2012 – June 2015
Business Mentoring Offer	£700,000	£700,000	600 Businesses Supported by mentor network 56 group sessions (400 participants) Typical Outcomes Improved staff performance Introduction of improved business planning Introduction of an improved training plan	July 2012 – June 15
LBGH Sub Total	£2,000,000	£2,000,000	1,000 Business Assists 500 Additional jobs created	

4.3 Lancashire Growth Start-Up Support Programme

The potential to extend the model of growth start-up support developed in east Lancashire is also proposed as a priority which would deliver both new enterprises and jobs as well providing a consistency of service across Lancashire.

- 4.3.1 The programme design provides intensive start-up and business skills training. This includes specific training with regard to recruiting and managing staff, the development and exploitation of intellectual property, and improving export performance.
- 4.3.2 This service is specifically aimed at businesses with a vision and business plan that demonstrates they are aiming to grow and employ staff within their first two years of trading. This distinguishes the programme from generic start-up support, where businesses often only ever employ the owner manager or where employment growth is far less rapid.
- 4.3.3 In addition to working only with those with realistic growth potential, the programme is also designed to ensure that the owner-manager being trained clearly understands how to take on staff and the business implications of being an employer.

Product	LCC Contribution	ERDF Leverage	Outputs	Duration
Lancashire Growth Start-Up Support Programme	£900,000	£900,000	400 High Growth Start-ups 700 Jobs	July 12 – June 15

4.4 Access to Finance

- 4.4.1 Local businesses still frequently cite problems in accessing finance to support their business development ambitions be it from banks or from public funds. It is proposed that the County Council match-fund the Access to Finance Service which provides a mixture of one to one business advice to identify and assist businesses in applying for funds. The costs and outcomes of funding this service are set out below.
- 4.4.2 The employment creation within this programme is the result of removing the barriers that a client business has faced in accessing finance for growth. The process of preparing the business to apply for finance also often drives forward wider improvements in the business, in terms of its own business and financial planning.

Product	LCC Contribution	ERDF Leverage	Outputs	Duration
A2F Team Provision for Lancashire	£372,800	£372,800	465 Bus.Assisted 63 Jobs Created £12m private leverage 187 improving GVA 6 investment ready w'shops	June 12 - November 14

4.5 Inward Investment Promotion

- 4.5.1 County Council funding of £250,000 is also sought to improve the strategic marketing of Lancashire as an inward investment location of choice. The Council is currently working via the Lancashire Enterprise Partnership with UKTI to source inward investment enquiries for the sub-region. This additional resource would allow the marketing of key opportunities, including the Enterprise Zone in specific market sectors, and the development of an investor offer that highlights the skills and quality of life within the area to attract new investment and jobs to Lancashire.
- 4.5.2 An improved marketing offer would assist key developments, including the Enterprise Zone to compete in the market place for new private sector jobs and investment.

5. Summary

- 5.1 The BGP proposal is seeking to draw-down support of £3.5m from the County Council's economic development budget. There is the potential to secure a further £3.5m in ERDF match-funds.
- 5.2 All the elements with the BGP are new and additional to current national and local provision and would generate the following economic outcomes:
- Engagement of 10,000 local businesses (around 25% of Lancashire's business-base).
 - The opportunity to work intensively with 1,500 new and growing local businesses.
 - The creation of nearly 500 new businesses in Lancashire.
 - The generation of 1,500 new jobs.

Consultations

N/A.

Implications:

This item has the following implications, as indicated:

Financial

If approved, the proposal outlined above will commit resources of £3.5m as follows:

£	
2,000,000	Lancashire Business Growth Hub.
900,000	Pan-Lancashire Growth Start-Up programme
372,800	Access to Finance North West Service in Lancashire
250,000	Marketing of Lancashire as an investor/ business location of choice
<u>3,522,800</u>	Total

This investment in business growth will be funded from the £10m approved for Strategic Economic Development & Infrastructure projects as part of the County Council's Revenue Budget and Investment Strategy 2012/13 and 2013/14.

Risk management

If the County Council decides not to invest in the Lancashire Business Growth Package, there is a risk that key economic outcomes will not be delivered in Lancashire.

There is also the risk that Lancashire would miss the opportunity to secure a significant amount of ERDF match-funding which could be used to deliver key economic priorities.

However, the County Council can fully fund its contribution for this proposal from its Economic Development and Infrastructure Budget.

Any representations made to the Cabinet prior to the issue being considered in accordance with the Public Notice of Forward Plans

Name:	Organisation:	Comments:
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N/A.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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Nil.

Reason for inclusion in Part II, if appropriate

N/A.

Business Support Provision Mapping for Lancashire						
Business Life-cycle Stage	Targeting of Intervention	Geographical Coverage			Provider	Lead
		RPL	Mid Lancs	Blackpool Bay		
Business Start-Up	Generic / Underrepresented Groups	Start-Up Lancashire			Partnership	RPL
		Business Link			National	
		Business in You			National	
		Start-up Britain			National	
		MentorSME			National	
	High Growth Start-Up	Pennine LEAP Programme	-	-	WP / A4E	RPL
Established Businesses	Business Finance	Access 2 Finance Service - £372k sub-regional match required			A2F Team	Manc. Sols
		Accelerating Business Growth (RGF) – Grant				RPL
		(not BwD)	Rosebud Fund	(not BCC)	Enterprise Venture	LCDL
		(not BwD)	Rosebud Micro	(not BCC)	Orvia	LCDL
		North West Fund x 6			Various	NWF
	Innovation	Lancashire Innovation Network			RPL	RPL
	Business Growth Support	Business Coaching for Growth			Winning Pitch	National
		(not BwD)	Rosebud Evolution Pilot	(not BCC)	Orvia	LCDL
	Investor Management and Promotion	NWSIP – ERDF			RPL/LCDL	LCDL
	Leadership & Management Skills	LEAD Programme			Lancaster University	
	International Trade and Export Support	Overseas Market Introduction Service, Tradeshow Access Programme, Export Marketing Research Scheme, Export Communications Review Scheme, Targeted Export Support Scheme, Market Visit Support, Passport to Export.			UKTI + Local Chambers	National with British Chamber of Commerce
	Aerospace	GAMMA (RGF) Project			NWAA	
		NWAA – Supply Chain Excellence 2			NWAA	
	Creative and Digital	Media Factory 2- ERDF UCLAN			UCLAN	
	Renewables	UCLAN IS Wind			UCLAN	
	Manufacturing	Manufacturing Advisory Service			Grant Thornton WM MAS SE MAS	BIS
Knowledge Exchange		The Northwest Eco-Innovation Programme			C Tech Ltd	Lancaster University
		HE Enterprise Champions Phase 2			National Centre for Enterprise Education	Lancaster University
		InfoLab21 Strategic Innovation Support (ISIS)				Lancaster University
		Support for Sustainable Design & Rapid Manufacturing (SusDRaM)				Lancaster University

Appendix '1'

		Innovation For Growth (IFG)		Lancaster University
		UNITE (Student Placement) - led by UCLAN		Lancaster University
		InfoLab21 Scientific & Technology Exploitation Programme (ISTEP)		Lancaster University
		The Centre for Global Eco Innovation (Liverpool uni & Inventya Ltd as partners)		Lancaster University