

Cabinet

Meeting to be held on 9 July 2015

Report submitted by: Director of Economic Development

Electoral Divisions affected: All

Business Growth Package for Lancashire 2015-18

(Appendices 1 to 3 refer)

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Executive Summary

Lancashire County Council has played a central role in shaping a new business support framework for the sub-region, in conjunction with the Lancashire Enterprise Partnership (LEP). By redesigning Lancashire's framework, the County Council has enabled local and national partners to better align their investment and delivery arrangements in support of shared priorities. The focal point for Lancashire's new business support delivery vehicle is Boost, which was established in April 2013. The County Council was instrumental in forming Boost, as the single business growth hub for all small and medium sized enterprises (SMEs) operating in Lancashire.

In May 2012, Cabinet considered a funding package which agreed to the County Council becoming the principal match-funder and accountable body for a £7.2M European Regional Development Fund (ERDF) application in support of Boost and a bid (with Greater Manchester) to sustain a regional Access 2 Finance business advice service. With a funding contribution of £3,522,800 from the County Council, a total business growth package of £7,450,000 was successfully secured for the period April 2014 to September 2015.

The latest information (April 2014 to June 2015) indicates Boost advised over 2,800 local businesses across Lancashire, with 1,066 SMEs benefiting from tailored programmes of consultancy, grants or mentoring to support their growth. More importantly, Boost has helped to create 737 jobs and new economic activity valued in excess of £10M. In addition, the regional Access 2 Finance service has worked with over 170 businesses in Lancashire, and helped secure £6.75M in additional business financing for local companies. As mentioned above, these support measures will complete at the end of September 2015.

The purpose of this report is to seek County Council approval with a maximum level of funding support of £1.9M for a new 3-year Business Growth Package for Lancashire which would begin delivery in October 2015. This new Package would enhance and sustain Boost, and enable the County Council and LEP to establish a total business growth programme valued at £7.8M, with £3.8M secured from ERDF, £750,000 from private sector sources and £291,000 from the LEP's Growth Deal programme. Lancashire County Developments Limited (LCDL), at its Board meeting in May, agreed to contribute £900,000 over 3-years to this Package. The proposed Business Growth Package, as set out in this report, aims to support over 3,000 local businesses in Lancashire; help create 200 new businesses; secure over £10M in new and additional business financing support; and generate over 2,000 new jobs.

This is deemed to be Key Decision and the provisions of Standing Order No 26 have been complied with.

Recommendations

The Cabinet is asked to:

- (i) Note the performance of Boost;
- (ii) Approve a match-funding commitment of up to £1.9M in support of Boost and Access 2 Finance provision in Lancashire, subject to securing the ERDF, private sector and LEP Growth Deal funding contributions set out in section 4 of this report; and
- (iii) Authorise the Head of Procurement, to proceed with the procurement exercise to identify and select contractors to progress and deliver Boost's Hub Service; new start-up support and mentoring programmes; required marketing support; and customer relationship management system.

1. Background

- 1.1 Stimulating the Lancashire economy to both create and safeguard local jobs is one of the three headline priorities of the County Council's Corporate Strategy¹. This is also an ambition which is shared with the Lancashire Enterprise Partnership (LEP) and is central to both the LEP's Strategic Economic Plan (SEP) for Lancashire and its Growth Deal negotiated with Government.
- 1.2 There are currently over 40,000 businesses registered and trading across Lancashire. Ensuring these businesses have the right support to unlock their growth ambitions offers an immediate opportunity to deliver against our strategic objectives in a way which complements larger, longer-term investments in strategic sites and infrastructure.

¹ Lancashire County Council, Setting Our Strategic Direction, 2015.

- 1.3 Three years ago, as part of a review led by the County Council, local partners mapped and assessed the quality of local publicly-funded business support provision in Lancashire. Despite the closure of both the North West Regional Development Agency and the North West Business Link, over 90 publicly-funded business support programmes were still found to be operating in Lancashire. These offers sat alongside a strong but incomplete offering of national business support products, with local business left to navigate their own way through these various business support initiatives.
- 1.4 In response to this local market failure, the County Council developed and established Boost, as the single gateway, or business growth hub, serving local SME businesses across Lancashire. Closely following Manchester, Lancashire was one of the first places in the country to establish a fully functioning business growth hub.
- 1.5 Lancashire's hub concept was designed and developed by the County Council and tested with local partners in early 2012. The analysis and integrity underpinning Lancashire's hub proposal helped to attract further support and match-funding from a range of local partners, including UCLAN, Lancaster University, Regenerate Pennine Lancashire and the national Growth Accelerator initiative, with all aligning their own services with the hub's core offer.
- 1.6 An ERDF application to support the creation of Lancashire's hub was approved in Summer 2013, with the Boost brand launched in September 2013. Procured delivery partners were selected through the Autumn and the hub was fully operational by the end of the year and accredited by the Department for Business Innovation and Skills in April 2014.
- 1.7 Business growth hubs are increasingly recognised by Government and LEPs as the local solution to making sense of a fragmented and often confusing business support landscape by focusing the available national provision whilst also brokering support which is most appropriate to the needs of individual companies. (Annex 1 highlights the extent to which Growth Hubs are being established in other parts of the country). The additional economic benefit of engaging with this type of support is underlined by the Department for Business Innovation and Skills which found that *"businesses seeking external advice are 50% more successful than those who do not."*²
- 1.8 Over the last two years, Boost's business growth programme has demonstrated the value of creating and promoting a single gateway for publicly-funded business support in Lancashire. Through the strategic leadership and investment support of the County Council, which was agreed by Cabinet in May 2012, Boost has provided greater clarity for nearly 3,000 local SMEs seeking support, with over 1,000 businesses joining specific growth programmes. Boost is also on-track to achieve its outcome targets by delivering an increase in local Gross Value Added (GVA, is a key measure of economic activity) by over £10M, and by creating 1,100 jobs by the time the

² Business Growth Ambitions Amongst SMEs, Final Report, Department for Business Innovation and Skills, 2012

programme completes in September. This level of performance has been achieved despite the financial value of the original programme being reduced by 25% by the Department for Communities and Local Government (DCLG), as Government officials tackled wider over-programming problems in the North West of England European Programme.

- 1.9 One of the aspects of the current Boost programme, which DCLG recognises as an example of best practice, is the way in which the Lancashire hub has established strong governance processes and links to wider economic activity and programmes. A Board, chaired by a LEP Director (Mr Mike Blackburn), with representatives from the SME sector, meet on a quarterly basis to scrutinise performance and provide strategic leadership. Moving forward, these arrangements will be strengthened by strategic oversight provided by the LEP's recently established Business Support Management Board, which forms part of the LEP's overarching governance structure.

2. The ESIF Programme 2014-2020 and Bid Development Processes

- 2.1 The new ESIF programme for Lancashire is currently worth £231M over potentially the next six years. Within that, Lancashire's ESIF Strategy has earmarked an indicative figure of £31.25M to support the delivery of business support activity. This activity is designed, in part, to assist 7,500 businesses, establish 1,700 new businesses, and provide 3,500 new jobs.
- 2.2 The Lancashire ESIFs Partnership, the local advisory body for ESIFs resources, though ESIF programme approval and accountability responsibilities currently rest with DCLG officials, agreed at its meeting in March for a limited number of funding calls to be issued prior to onset of the General Election Purdah period. The Partnership agreed to support the development of Boost by issuing two ERDF calls (related to Theme 2 of the Lancashire ESIFs Strategy). It also agreed to calls related to national business support products focusing on the Manufacturing Advisory Service, Growth Accelerator and UKTI activity. The Access 2 Finance service has also taken the opportunity to submit a regional multi-LEP bid in response to the same calls.
- 2.3 These early bids are important to test the new ESIF application arrangements, and to sustain the core staffing, capabilities and momentum of key initiatives which build on activity supported by the previous ESIF programme. The early calls that have been issued are exceptionally timely as the first phase of the current Boost programme will complete at the end of September 2015. Subject to Cabinet approval, we are aiming for the next Business Growth Programme for Lancashire to start as soon as this and the bidding and procurement processes allow.

3. Moving Forward - Proposed Structure of Boost

- 3.1 Boost has been the subject of constant review and update throughout its lifetime. An interim assessment was undertaken in October 2014, with a final evaluation by independent consultants, Regeneris, to be completed by September 2015. In May, a formal consultation event (entitled *Building on*

Boost) was also undertaken with over 50 local companies to allow them the opportunity to give their specific views on how this provision could look in the future. This exercise has been enhanced by a web survey with over 150 local business respondents.

- 3.2 The main design issue with Boost, in its first iteration, emerged from the fact that as a single ERDF project, businesses were generally confined to receiving only one intervention across the five offers within the Boost programme, which include Start-Up; Mentoring; Growth Sector Support; Innovation Support; Enhanced Growth Accelerator interventions; and Leadership and Management Training. The Lancashire hub also needs to drive better, more reciprocal arrangements with the national Business Growth Service directing and receiving business referrals from the national offers on trade promotion, the Manufacturing Advisory Service, Design Council and Growth Accelerator.
- 3.3 With the first Boost ERDF programme, the County Council acted as the lead applicant to DCLG and then as the accountable body for the overall programme. As such, the County Council has established procedures which all Boost partners follow in terms of recruiting and supporting clients, identifying who is working with who, and in assuring the quality and recording of business support activity.
- 3.4 Moving forward, in redesigning Boost, it is suggested that the County Council's investment (including LCDL's) and LEP Growth Deal funding is used to create a gateway and core service around which other discrete business support projects can coalesce. This approach would allow the multiple assists that are required, but which are currently not possible due to EU funding regulations. This approach would also significantly improve the business customer experience, whilst insulating the County Council from the need to extend Boost's delivery partnership, and, in turn, the span of control, for this key initiative.
- 3.5 From our Boost experience and wider published research, it is clear growing SMEs, the bedrock of Lancashire's future economic and employment growth, will need to have access to a clearly defined local offer of:
 - High growth business start-up
 - Business mentoring
 - Support to access finance for business growth
 - Support which encourages/increases the value of international trade activity
 - Support which develops the leadership & management capabilities of SMEs
 - Support to drive Innovation in product design & business processes
 - Support which gives access to the expertise within Universities
 - Support to develop the skills of the workforce.
 - Sector specific support for Lancashire's priority growth sectors

We fully anticipate that further bids will come forward for those areas of activity not covered in this initial Business Growth Package. We will work with partners to identify how match-funding for these other activities can be found.

- 3.6 Subject to Cabinet approval, the proposed structure for Boost from 2015-18 is as follows:

Boost Gateway

To provide a central function/team who go out to businesses and deal with phone and online enquiries. The central team will provide an accurate and professional assessment of the development needs and opportunities within the business and refer on to appropriate local, national or commercial business support programmes. In addition this service will provide a robust Customer Relationship Management (CRM) system to support the tracking of clients and to record the impact of work done to support growth.

Growth Vouchers

To provide a central resource of growth vouchers to match businesses own investment in activity to create extra jobs and improve productivity. This resource will be open to participants in all Boost programmes and potentially those working with Boost and Co. affiliate partners. Businesses will need to compete for investment, but the voucher pot will bring them back to the Hub to enable assessment of the intervention's impact and to offer further referrals.

Growth Mentoring

This is a low-cost, high value tool which matches experienced business mentors with developing SMEs. Mentors, working on a voluntary basis (with expenses paid), offer local business leaders experience, expertise and companionship in what can often be a lonely role. In the first phase of Boost this programme fully delivered on its outputs and was extremely well received by the business community. We are presently working with the Small Firms Enterprise Development Initiative (SFEDI) to offer further training and development to these mentors, as part of Lancashire's Skills Support for the Workforce ESF Programme.

Business Start-up Support

Start-up support remains a frequently requested service. Clients come either via direct enquiry or by referral from banks and other intermediaries, who value the rigour and structure which start-up advice can bring to sometimes enthusiastic but immature business ideas. The national New Enterprise Allowance (NEA) programme offers individuals in receipt of out-of-work benefits a programme to move towards self-employment. To complement this, start-up support within the Growth Hub has typically been aimed at businesses who demonstrate an ambition to employ staff, beyond an owner manager.

Access 2 Finance

This project will provide an independent Access 2 Finance service for SMEs, fully aligned to both existing and planned activity in Lancashire, Greater Manchester and Cheshire East. It will increase the capacity and capability of

SMEs by supporting them to access the finance they need to implement their growth plans and grow their businesses, as part of a wider package of support available via the region's Growth Hubs. The project will build on an existing, successful service and will be delivered by a dedicated team of Access 2 Finance specialists, the majority of whom are currently in place.

Marketing Provision

Maintaining awareness of the Boost brand and service offer is essential in terms of extending the reach of the programme and flagging support to those where support can add the greatest benefit. This marketing element will recognise and acknowledge the primacy of the County Council in funding this initiative, and will also align the Hub's service and brand with the LEP's recently commissioned marketing and communications strategy.

Accountable Body Function

The oversight and good management of the ERDF project will itself need dedicated staff and to be properly resourced to avoid performance management issues and ensure compliance with relevant ERDF regulations. This function could be placed with another organisation, if the County Council was willing to pass on its match-funding to another lead organisation. This approach could potentially insulate the County Council from a degree of project risk, though it would significantly reduce its ability to direct and influence Boost. The suggested resource requirement within the County Council would support dedicated/additional posts in Economic Development and Finance, whose costs could be absorbed within accountable body costs for the project.

3.7 Based on the experience of the current Boost programme, and assuming the levels of investment set out below, it is forecast that the next Boost phase will achieve the following key outputs:

- Support for 3,360 businesses;
- Provide direct financial support to 300 businesses;
- Establish 200 new businesses;
- Create a further 2,000 jobs within supported businesses; and
- Secure £10.8M in funding offers for Lancashire businesses

4 Project Costs and Sources of Match-funding

4.1 The costing profile developed to run these blocks of activity for 3-years and the potential to match ERDF funds using County Council and LEP Growth Deal resources is set out in detail at Appendix 3, but the headline values are as follows:

Project Element	3 year Total Cost	Ratio ERDF /Match	Match Funding Requirement	Sources of Match			
				Private	LEP / Growth Deal	LCDL	LCC
Boost Gateway	£1,800,000	50:50	£900,000		£125,000	£900,000	£1,795,030
Growth Vouchers	£1,500,000	50:50	£750,000	£750,000	£175,000		
Growth Mentoring	£1,500,000	50:50	£750,000				
Business Start-Up Support	£1,750,000	50:50	£875,000				
Access 2 Finance	£846,090	60:40	£338,436				
Marketing	£250,000	50:50	£125,000		£50,000		
Accountable body costs	£200,000	50:50	£100,000		-	-	£100,000
TOTALS	£7,846,090		£3,836,436	£750,000	£291,406	£900,000	£1,895,030

4.2 The £1.9m budget provision from LCC has been identified from within the existing Strategic Investment Reserve (Economic Development Project).

5 Programme Delivery and Procurement

5.1 All elements of the proposed Boost programme, other than the Access 2 Finance and accountable body function will need to be procured via an EU compliant procurement process. For the larger lots this will require a full OJEU process. Due account will also be taken of the Social Value Act within this process as required for monies associated with the Growth Deal.

6 Conclusions

6.1 Recently commissioned economic forecasts for Lancashire show that the sub-region's "bounce-back" after the economic crash of 2009 has been muted and significantly slower than expected. Sustained intervention to stimulate economic growth and new private sector employment generation is required.

6.2 It is recognised that committing to a continued resourcing of Boost would represent a major investment by the County Council, at a time of significantly reduced public funding and strained Council resources. However, Boost is a proven delivery model, an approach which is now becoming commonplace across our competitor city-region economies, and a service which complements and generates high quality jobs in advance of the impact of

larger, higher value strategic infrastructure projects in the County.

Consultation

Building on Boost - Business Consultation Event, Stanley House	29/04/15
Business Support Network of Networks Meeting	12/03/15

Implications:

There are no Crime and Disorder, Human Rights or Equalities implications associated with providing funds to continue the Boost initiative.

Risk management:

The County Council funding contribution sought by this report is currently set aside in the Economic Development Service's budget. However, the County Council's continued investment in Boost is dependent on securing the identified match-funding contributions set out in this report. As with the current Boost initiative, a risk register will be maintained throughout the project to ensure delivery takes place in line with the planned profile for activity. Interim and final evaluations will also take place. The main financial risk for the County Council would be in respect of an unsatisfactory European audit of the project, in which case ERDF funding could be clawed back. We would seek to mitigate this risk by:

- Further strengthening the County Council's capacity to manage Boost and ensure robust financial systems are in place;
- Working with the County Council's procurement service to ensure a fully ERDF compliant process;
- Working with County Council finance service to ensure ERDF claims are accurate;
- Closely managing the procedures and delivery of partners to ensure it is compliant with current ERDF procedures and protocols; and
- Ensuring contracts with providers pass on any risk associated with their failure to comply with the above.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
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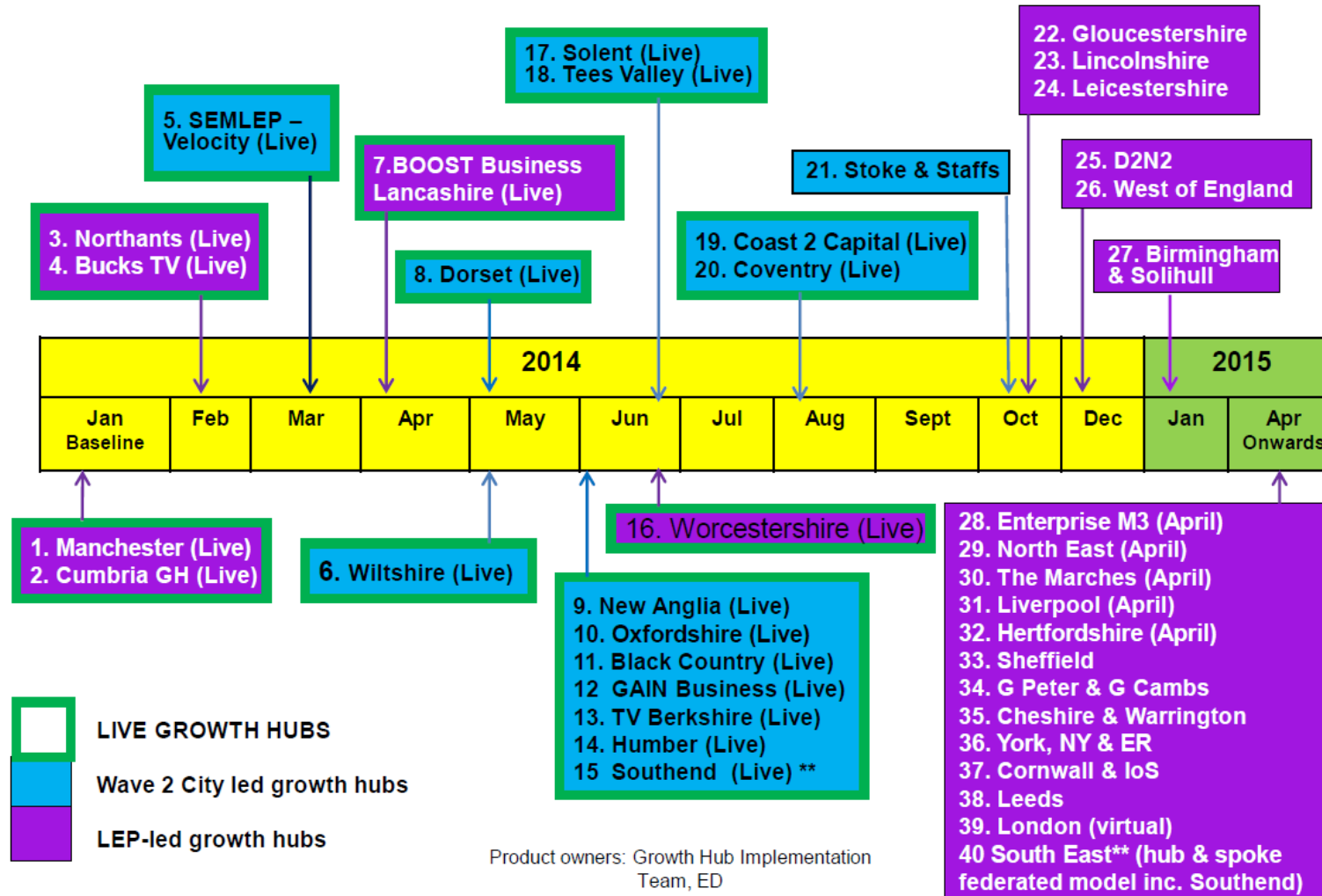
None

Reason for inclusion in Part II, if appropriate

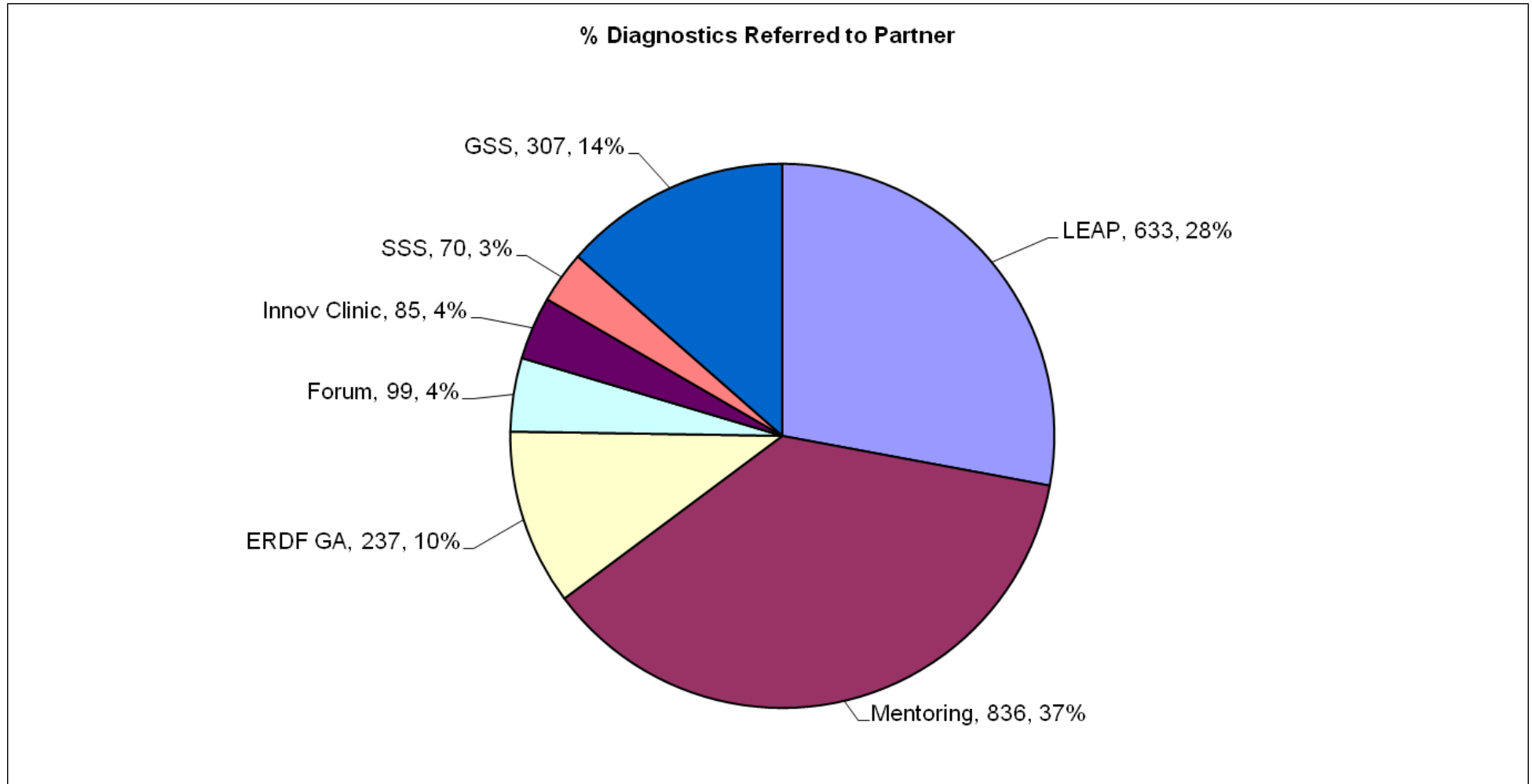
N/A

Appendix 1 – The Development of Growth Hubs across England

GROWTH HUB LAUNCH DATES 2014 – 2015 - (v.16 – 22 September 2014 – 21 LIVE GROWTH HUBS)



APPENDIX 2 - Business Services Chosen by at the Gateway Diagnostic Stage



Appendix 3 Financial Profile and Source Match-funding

ERDF Activity Category		2015	2016	2017	2018	Total
Marketing		0	£100,000	£100,000	£50,000	£250,000
Professional Fees		£250,000	£700,000	£900,000	£680,000	£2,530,000
Salaries		£200,000	£740,000	£900,000	£680,000	£2,520,000
Other Revenue (Growth Vouchers)		0	£500,000	£500,000	£500,000	£1,500,000
Accountable Body Costs		£20,000	£60,000	£60,000	£60,000	£200,000
Access 2 Finance Project		£84,609	£169,218	£169,218	£84,609	£846,090
TOTAL Project Costs		£554,609	£2,269,218	£2,629,218	£1,970,000	£7,846,090
Total Match Funding Required		£291,406	£1,162,812	£1,342,812	£1,039,406	£3,836,436
Match Funding Source	BIS	£291,406	-	-	-	£291,406
	LCDL	-	£600,000	£300,000	-	£900,000
	LCC	-	£312,812	£792,812	£789,406	£1,895,030
	Private	-	£250,000	£250,000	£250,000	£750,000

3a. Detailed Costing and Outputs A2F Project in Lancashire

Annual Cost	Programme cost
£282,030	£846,090

	2015/16	2016/17	2017/18	2018/19	Total	
	6 months	12 months	12 months	6 months		
Cash match	£56,406	£112,812	£112,812	£56,406	£338,436	40%
ERDF	£84,609	£169,218	£169,218	£84,609	£507,654	60%
	£141,015	£282,030	£282,030	£141,015	£846,090	100%

Utilising ERDF Transitional Fund status

ERDF Outputs					
Number of in-depth assists			ERDF	85	Cost per Assist - £4,573
Number of Jobs Created			ERDF	52	Cost per Job - £16,271

Contracted Outputs						
Number of in-depth assists				216		
Lighter touch engagements				144		
Total number of assists				360	Cost per Assist - £2,350	
Number of Jobs Created				180	Cost per Job - £4,701	
Funding Offers £'s				£10.8m		
Workshops				12		

