

## Report to the Cabinet

Meeting to be held on Thursday, 14 September 2017

### Report of the Head of Service Business Growth

**Part I**

Electoral Divisions affected:  
All

### Boost - Lancashire's Business Growth Hub

(Appendix 'A' refers)

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#### Executive Summary

Over the past five years, the Department for Business, Energy and Industrial Strategy (BEIS) has worked with a range of local partners to establish a network of 40 Business Growth Hubs covering England.

Boost – Lancashire's Business Growth Hub was one of the first in the country to start operating when launched in 2012, and now handles around 1,000 enquiries a year from start-up and established businesses. In terms of impact, Boost has now worked with 4,799 Lancashire Businesses, provided in-depth support to 2,493 creating 1,425 new jobs, 211 new businesses and increasing local Gross Value Added (GVA) by more than £50m.

Boost is funded by a combination of contributions from Lancashire County Council, Lancashire County Developments Ltd, BEIS and European Regional Development Fund (ERDF). However, the original and on-going funds contributed by the County Council have been instrumental to the scale and success of Boost and has enabled the service to secure additional public investment.

This report seeks a further commitment to provide match funding from the County Council to allow the Growth Hub to seek continuation funding to the end of the current European Programme until the end of 2021. This will allow the Economic Development Service to respond to renewed funding opportunities through the Autumn of 2017.

This is deemed to be a Key Decision and the provisions of Standing Order No. 25 have been complied with.

## Recommendations

The Cabinet is recommended to:

- (i) Commit to providing a maximum £1million match funding to allow the continuation of Growth Hub activity from January 2019 to the end of December 2021.
- (ii) Approve the additional priorities and focus for economic development support in 2017/18 and 2018/19.

## Background and Advice

Boost, Lancashire's Business Growth Hub, is a County Council initiative that has now been operational since 2012. It was one of the first Growth Hubs in England to be established and now forms part of a national network of 40 Hubs covering the whole of the country.

In just over four years of operation, Boost has supported almost 5,000 Lancashire businesses to develop and implement their plans for growth, leading to the creation of just over 1,400 new jobs.

Boost now sits at the heart of a Lancashire network of over 20 programmes of publicly-funded business support. Together these programmes have over thirty million pounds worth of finance, development and training support on-tap for Lancashire businesses. We realise that this landscape of provision can be hard to navigate but advisers in the Boost Gateway service can ensure that businesses get access to the right programmes at the right time.

The County Council has remained the largest single funder of Boost and will have provided over £5m to establish and grow this programme. Considering progress in detail, the Growth Hub's key metrics are as follows:

- **Lancashire Businesses supported** to date 4,799 and by December 2018 we will have supported at least 5,951
- **New jobs created to date:** 1,294 and by December 2018 we will have created at least 2,166
- **New Businesses created to date:** 211 and by December 2018 this will rise to over 320
- **Leveraged Private sector investment** to date £883,429.43 and by December 2018 this will be at least £1,633,429.34
- We know business support is complex, our business support finder has over **85 Programmes of support that are available** to Lancashire businesses
- We are delighted that we have over **85 registered private sector business support providers in Lancashire working with us.**

In addition to its core business support function, Boost is playing a key role in promoting skills support programmes commissioned by the local partners and was also instrumental in distributing flood recovery grants to business, helping them to get trading again. This work has led to Boost being selected for a national pilot with the Prince's Responsible Business Network, Business in the Community and LCC's Emergency Planning Team to see how the Business Emergency Resilience Group (BERG) can more effectively help businesses and the community respond in the event of major events.

## **Boost Funding**

Since LCC's original financial commitment of £1.9m in 2012, the Boost has been successful in drawing in additional resource from other partners and sources to maximise the scale and impact of the programme for Lancashire businesses. In the last two years, BEIS has begun to recognise the value for money which the Growth Hub network offers and to make a nominal financial contribution to each Hub.

The main opportunity to match LCC's contribution has come from successive ERDF Programmes where the Boost programme has a strong fit with the objectives of the Lancashire European Structural and Investment Fund (ESIF) strategy and the outputs it seeks to deliver. Since 2012 the programme has drawn-down in excess of £7m of European funds.

Given Brexit, the future of European Structural Funds is clearly limited, but there will be one last opportunity for Boost to ensure it can fully utilise the allocation of funds to Lancashire. To this end, funding calls through the autumn of 2017 will be available to extend current, successful programmes out until 2021.

A commitment to continued match-funding from LCC will allow us to lodge these bids, but we would also intend to approach the other upper tier local authorities in Lancashire to make a contribution commensurate with the scale of their eligible business population.

Given the Cabinet decision to amend the budget to provide an additional £1m of extra funding "*Supporting Economic Growth, particularly small businesses*" it is proposed that initially the new resource is used to replace "LCC reserve" match in the final eighteen months of the current Boost ERDF project. This would allow the balance of these "reserve" funds to be used alongside LCDL and BEIS match to bid for a rationalised Growth Hub Programme in 2019, 2020 and 2021. Table 1 at Appendix 'A' shows how that match funding requirement of a £6m, 3-year Boost programme would be made up of LCC, LCDL and BEIS contributions. This profile would of course be subject to confirmation of both the LCDL Board and further BEIS Growth Hub funding which is expected to be announced in the new Industrial Strategy and/or Autumn Statement.

A further Cabinet report will come forward, in due course, that identifies how the remaining balance of additional "Supporting Economic Growth" budget agreed by Full Council in July 2017 could be used from 2019/20 onwards.

## **Scope of Existing Business Support Services**

Whilst the main purpose of the Growth Hub is to advise and sign-post businesses to other provision, the programme does contain two delivery elements, the Growth Support Service providing enterprise training to new start and young businesses and the Growth Mentoring Service, matching experienced business coaches and mentors with established businesses.

Out with these core services Boost can also refer to a network of other commercial provision directed at either priority sectors or specific business development processes including financing growth, innovation, export, digitisation or the development of low carbon goods and business processes.

Despite this portfolio of support, there remain some key work themes and business constituencies where additional LCC resource would facilitate a renewed focus and support for Lancashire businesses to address new and emerging challenges and opportunities. Table 2 at Appendix 'A' and the detail below provide more detail.

As a principle, we would seek to ensure that these new strands of activity are addressed within the budget envelope set out in Table 1, and that we aim to create self-sustaining or commercial models of future delivery of business support in these areas that does not result in a long-term expectation of continued public funding.

## **Re-focusing of Business Support Activity in 2017/18 and 2018/19**

The following four policy areas are highlighted as a particular focus for Boost and wider LCC Business Support over the next 18 months either because they have emerged as local opportunities for growth and jobs; address new challenges; whilst evidencing strong local economic leadership.

**Engaging Lancashire's Scale-Up Businesses** - Over the past year increasing prominence has been given by government to the role played by so-called "Scale-Up" businesses within the economy. Whilst the definition "annualised growth in employees or turnover greater than 20% per year over a 3-year period" is similar to the national Business Growth Service's focus on finding and supporting "gazelles", the decision of BEIS to withdraw from direct provision for this cohort of businesses and the scarcity of other resource make the policy prescription for supporting Scale-Ups somewhat different. It is suggested that the UK has a Scale-Up gap compared to international competitors and that if we manage to close the scale-up gap, we will secure significant economic value and the competitive advantage of Britain for generations to come.

In September 2016, a new report was published by the CBI, in partnership with Lloyds Bank, Aston Business School and the Scale-Up Institute, identifying scale-up medium-sized businesses as "the entrepreneurial heroes of the UK economy" and critical to solving the UK's productivity puzzle. Based on data from companies across the UK and interviews with 30 scale-up businesses, the report highlights new research on the impact of scale-up businesses on UK productivity and profiles their insights and strategies into raising competitiveness and efficiency within firms. The

report highlights that a small number of entrepreneurial firms make a large contribution to UK productivity. Scale-up firms, in particular those rapidly increasing sales, have higher productivity rates:

- In 2013, four per cent of firms contributed 17 per cent to total UK productivity.
- Between 2012 – 2015, over 18,500 businesses rapidly scaled-up their turnover – 650 of these were mid-market firms.
- Within the scale-up community, highly productive firms are twice as common.
- 8 out of 10 of the UK's most productive businesses are located outside London.

The Scale-Up Institute's analytical tool suggests that there are presently 159 scale-up businesses in Lancashire. Together, these businesses have a combined turnover of £4bn and employ 22,000 staff.

The Scale-Up Review on Economic Growth 2016 presents an analysis of scale-up growth and density. Lancashire's scale-up's show a more limited pattern of growth, ranking 34th out of 39 LEPs and the area is placed 22nd out of 39 in respect of the density of scale-ups per capita population.

Given the rapid expansion and profitability of these businesses, we do not see a case to offer subsidised opportunities or training, instead the activity will be focused on engaging this cohort of businesses, defining any barriers to further growth and encouraging collaboration and best practice.

## **BREXIT Readiness**

In 2015, Lancashire's trade in goods with the EU was worth a total of £1.8bn with France, Germany and Spain being the top three markets for exports.<sup>1</sup> Whilst the USA ranked as the 4<sup>th</sup> most important trading region, over 60% of trade flows were with EU countries placing Lancashire within the upper quartile of English sub-regions in terms of its dependence on trade with EU countries.

The Economic Development Service works closely with colleagues in the Department for International Trade and with local Chambers of Commerce who play a key role in promoting export and supporting the technical aspects of the trade process. Despite this, the scale of export promotion activity remains small in relation to the size of potential business community who could be engaged. It is proposed that a LCC resource will provide additional capacity at this important time to allow businesses to understand the impacts and opportunities of the wider BREXIT process and the new arrangements for international trade which will result. It is also suggested that the impacts of BREXIT will differ markedly across sectors and we will work with sector lead bodies to understand how the trade conditions for industries like aerospace, automotive and food manufacture will change.

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<sup>1</sup> HMRC Data - Trade In Goods by English LEP's 2015

## **Digital Sector Development**

Over the past year we have worked with Digital Lancashire, the lead local industry body to fully understand the importance of digital businesses as a sector in their own right and as a technology enabler for almost all other sectors. Key clusters of expertise and specialism have now been identified within the county with industry leading expertise in disciplines including cyber-security, e-commerce and the digitisation of manufacturing processes. There is also an emerging expertise around digital health, building on assets such as the NHS test-bed facility in East Lancashire and the proposed Health Innovation Campus at Lancaster University. There are some immediate opportunities to strengthen these clusters and to ensure Lancashire is well placed to respond to the growth of the sector itself and the importance of digitisation to the wider economic base.

## **Business Start-Up Provision**

Given the eligibility requirements of ERDF funding, there is a substantial cohort of retail and business to consumer enterprises who cannot join programmes funded in this way. Clearly sectors such as retail and the visitor economy are important in their own right across Lancashire, but also play a particular role in the viability and vibrancy of town and city centres. Boost has provided subsidised membership to well-regarded on-line business support portals such as Enterprise Nation and supported access to Start-up Loans, the main national programme of combining finance and advice for start-ups.

Over the next 18 months the Business Growth service will review how it works with Lancashire's Chambers of Commerce, the Federation of Small Businesses and other local partners to provide a holistic offer to this key entrepreneurial group.

## **Consultations**

N/A

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

As set out in the report.

## **Financial**

The additional funding detailed within this report was agreed by Full Council in July 2017. There is also a need to ensure the financial commitments of BEIS and LCDL Boards to the package of match funding suggested for Boost 3. As discussed within the report there is also a need to test the appetite of other upper tier authorities to provide match funding.

Should any of the match funding model in this paper fail to materialise, the programme is scalable to match the level of resource which can be leveraged by LCC's sole contribution. This would however be sub-optimal as we have established that the economic impact of the programme will be maximised at or around a £6m programme.

### **List of Background Papers**

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A