

Enterprise M3 Board

25 May 2017

Enterprise M3 Growth Hub Update – Item 9

Enterprise M3 Board Members are asked to:

NOTE that Government are unable to confirm revenue funding for future growth hub activity for 2018/19 onwards until November 2017.

AGREE to a six month further extension to the Growth Hub contract from 1 April 2018 to 30 September 2018.

1. Background

- 1.1. On 29 November 2016 the Board were informed that Government had confirmed revenue and capital funding would be available to fund the Growth Hub through 2017/18 but that a decision for further revenue funding had not been made for future years which made it difficult for the contract to be re-tendered;
- 1.2. On the basis that it would be difficult to re-tender the contract, the Board agreed that the Growth Hub contract should be extended for a further year from April 2017 to March 2018 and this renewal was completed in March 2017;
- 1.3. Under the contract the Growth Hub receives £450k per annum funded as follows:
 - £100k capital which is allocated to Enterprise M3 from Local Growth Fund. This is specifically for portal development projects; and
 - £350k revenue. This is funded by a grant from BEIS of £287k to be used specifically for the giving of advice to business by Enterprise M3 LEP by supporting the further development of our Growth Hub, aligned to Government's objective to simplify access to support for businesses. The remaining £63k is funded from SEEDA legacy funds.
- 1.4. Considerable work is ongoing to develop a self-sustainable model that supports the Board and partners view that the growth hub needs to be an impartial service which therefore limits commercial arrangements to draw in funds. An outline plan has been produced on a range of options – these options have been discussed with our Enterprise and Innovation Action Group. However, although working assumptions are that the hub may be generating revenue from alternative sources by March 2019, this is unlikely to be more than 15% of its core revenue costs and at this stage cannot be guaranteed;
- 1.5. We are aware that similar sustainability challenges exists across the majority of Growth Hubs, particularly those that have not used ERDF funding. Kathy has spoken to a number of LEPs who are running very different models to ours. They range in type and costs from a portal service only (limited cost) to physical centres across a wide area (expensive £15m in case of GFirst). Many models receive funding from local partners – LAs, universities as well as charging membership fees. We may wish to explore this further;

- 1.6. At a meeting held on 2 May 2017 organised by BEIS and attended by Kathy Slack, Chris Quintana and Rob Carr to discuss the future economic sustainability of Growth Hubs, the LEP asked for reassurance around continued funding to be given as without an additional funding source the LEP would find it difficult to continue to fund the Growth Hub beyond 31 March 2018;
- 1.7. We asked for reassurance to be given by September 2017 since under the terms of the contract with our Growth Hub provider (BE Group) we are required to serve 6 months' notice should we wish terminate the contract – this would take us to the end of the current funding period;
- 1.8. However we were informed by BEIS that Government will not make a decision about further core funding until at the earliest November 2017. The election has meant that many policy interventions have been put on hold and will not be finalised until ministers are appointed.

2. **Growth Hub Performance**

- 2.1. The Enterprise M3 Growth Hub has two distinct services:
 - The '**Universal Service**' delivers broad signposting which includes an Enterprise M3 Business Support Helpline, a website, e-newsletter, and social media channels. This service guides any type of business either through the on-line services to access the information they need, or by speaking to someone about where they can access help in the Enterprise M3 area;
 - The '**Growth Service**' provides intensive support targeted at businesses with the greatest potential to grow and scale-up. This service includes specialist advice and support from one of the Growth Hubs highly experienced sector focused Growth Champions. This support normally consists of up to two days free access to one-2-one coaching, mentoring and business support covering key specialisms and sectors.
- 2.2. Both the LEP and our Growth Hub provider have invested significantly in our commitment to the Growth Hub service. Our Growth Hub provider is behaving like a key strategic partner across Enterprise M3 and importantly business and partners regard the Growth Hub as part of Enterprise M3 – the branding, culture and way of working reflects the Enterprise M3 way. This is important for demonstrating our support to business;
- 2.3. The return on this investment can be demonstrated when looking at the core Growth Hub performance areas that include Engagement Activity, Growth Plan Activity and Portal Activity. This performance is briefly outlined in Annex A and demonstrates a marked improvement through January to April 2017 compared with the same period in 2016;

3. **Risks**

- 3.1. Should the LEP serve notice in September 2017 our Growth Hub provider are unlikely to be overly focused on GH delivery and will look for alternative contracts;
- 3.2. A lack of focus will directly impact negatively on the Enterprise M3 brand, culture and way of working;
- 3.3. If core funding is then agreed in November 2017, it is unlikely that Enterprise M3 could re-activate the contract and therefore we will lose BE Group's knowledge and expertise, and may

have no Growth Hub in place whilst we go through a retendering period;

- 3.4. Funding the contract for a further six months will cost £225k - £50k capital and £175k revenue. The LEP is able to fund the capital since this is already allocated from our Local Growth Fund. We would also be able to continue to put in funding from our SEEDA legacy pot at the same rate as now (£31.5k for 6 months) and will be seeking for government to provide transitional funding to fill the remaining gap in funding of £143.5k;
- 3.5. If funding was not forthcoming from government we would need to fund this gap from our limited reserves to retain our Growth Hub.

4. **Next Steps**

- 4.1. We have explored with BEIS whether we could convert some of our LGF capital allocation to revenue to support the Growth Hub but BEIS have confirmed this is not possible.
- 4.2. BEIS are exploring whether transitional funding can be secured. They wish to establish how many LEPs will require additional funding and will provide further advice post 8 June once out of Purdah, although have stated that there are no guarantees;
- 4.3. Both BEIS and the LEP are exploring how ERDF could be used for core funding, for example paying for core Growth Hub staff but this would not provide funding for at least a year;
- 4.4. The LEPs Accountable Body are also exploring how capital funding could be converted to revenue funding;
- 4.5. We will be exploring with government, board and partners what support for business services we wish to put in place following decisions on the implementation of the Industrial strategy and our SEP refresh.

5. **Conclusion and Recommendation**

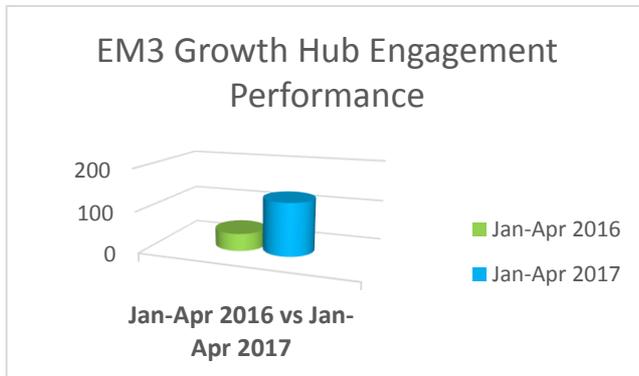
- 5.1. Since it is a requirement set out by central government to have a growth hub in place, should core funding no longer be available we would need to fully consider in partnership with the CLG team the implications of not having one in place. We will also need to consider who or what could 'fill the gap' should there be a cessation of investment. In order to fully consider this option further work will need to be undertaken;
- 5.2. To give us the time to assess these issues and to mitigate against the risk of losing BE Group's knowledge and expertise, Enterprise M3 must give some level of reassurance to the BE Group;
- 5.3. On this basis the Board are asked to **AGREE** to a six month further extension to the Growth Hub contract from 1 April 2018 to 30 September 2018.

Chris Quintana
Enterprise and Innovation Project Manager

18 May 2017

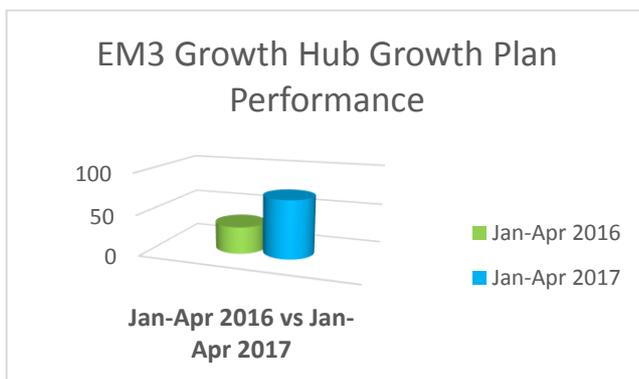
Core Enterprise M3 Growth Hub Performance Areas

Engagement Activity



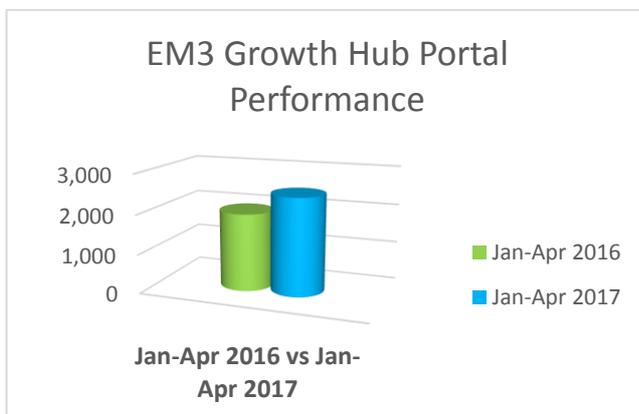
The graph shows the significant increase in business engagement year on year. This has been the result of proactive business development activity including the successful development of the Growth Hubs partner and stakeholder cross referral strategy which has resulted in 400% increase in referrals this year already, and the employment of a further full time growth champion to deliver the additional activity.

Growth Plan Activity



The engagement funnel has been developed to feed into increasing the Growth Hubs face to face activity and development of Growth Plans for our high growth companies. The number of growth plans have doubled compared to the same period in 2016 and this is expected to continue.

Portal Activity



The increase in unique users accessing the Enterprise M3 Growth Hub portal by 507 (26%) since the same period in 2016 reflects the work done to improve content and user experience delivered by the new Community and Engagement Manager appointed in November 2016. This will continue to increase with the launch of the new Online Community in June and ongoing content development.