

**Enterprise M3 Board**

**25 July 2019**

**Enterprise M3 Growth Hub: Options for Future Delivery of service – Item 12**

Enterprise M3 Board Members are asked to:

**NOTE** the work underway to review the options for delivery of existing/enhanced service to businesses through Growth Hub.

**NOTE** that the current Government funding for operating the Growth Hub service ends at the end of March 2020.

**AGREE** the recommendation to set aside sufficient funding from the 2020/21 budget to run the Growth Hub for the first quarter (to end of June 2021) in the event that Government does not make clear its plans for ongoing funding before end of September 2019.

**AGREE** in principle to the potential extension of the current contract with UMi by 3 months to allow for the above.

**1. Background**

- 1.1. Government requires every LEP to deliver a Growth Hub service to business setting a series of KPIs around engagements, job creation and intensive support. Increasingly Government are seeking a focus on innovative high growth businesses and scale ups. This is an approach that EM3 have championed from the very beginning. The Enterprise M3 Growth Hub has been in operation for 3.5 years and focuses on delivering tailored support to scale up businesses in our strategic priority sectors.
- 1.2. 2018/19 was a strong year for the Growth Hub, with the Growth Hub hitting government targets and further expanding activity to grow business networking and contact with EM3 businesses. Key delivery highlights are;
  - 220 intensive supports to SME businesses (100% of target), up from 186 in 2017/18;
  - 387 jobs created based on survey responses from 138 SME's; (aggregated out, for 220 SME responses, provides a potential total of 617 jobs against a target of 416);
  - Over 12 months Growth Hub support has helped business access a total of £5M finance, e.g. FSE;
  - 1,385 referrals out to business support provider partners;
  - Growth Hub growth champion working at the centre of the gaming ecosystem providing 27 businesses within Rocketdesk with high intensity growth plans. This equates to 1 day per week; Case studies for two businesses supported in Rocketdesk are included in Appendix 2.
  - Growth Hub part of steering group for the first successful Guildford Games Festival;
  - Supporting growth and enabling collaborations within space, aerospace and defence and medtech sectors;
  - Growth Hub director invited to talk about the role of Growth Hubs in strengthening sectors at ERC conference to share best practise;
  - Over 550 members (90% tech background) now signed up for Silicon Drinkabout networking meet-up in Guildford, held once a month. Plans being discussed to extend into Basingstoke;

- 8 Brexit events delivered over 6 weeks with key business partners. Developed the Brexit portal on the Growth Hub website and provided weekly Business Information for LEP and BEIS;
  - Based on impact data collected from 175 SME's who have received intensive support, total turnover has increased by £43M or 40%
- 1.3. Feedback from businesses indicates that the Growth Hub is a valued service, notably achieving significant impact within the gaming sector in and around Guildford over the course of the last 12 months and placing us in an excellent position to take forward the High Potential Opportunity in Trade in the Gaming sector working with Department of International Trade. Increasingly the Growth Hub is working on joint ventures with other partners and works closely with the EM3 team on delivery of the enterprise and innovation agenda.
  - 1.4. Two case studies further demonstrating the impact of the service are included in Appendix 3.

## 2. Considering Options for Service Delivery

- 2.1 The current two-year funding settlement from Government for running the Growth Hub service is due to come to an end in March 2020. Government has provided £287k per year, which the LEP Board has agreed (Mar 2018) to supplement with an additional £276k per year from EM3 revenue reserves. See table at Appendix 1 for projected Growth Hub budget.
- 2.2 There is no clear indication at this stage from Government regarding ongoing funding beyond 2020. Our expectation is that the Comprehensive Spending Review will set out requirements for supporting business and details of further funds. The timing of the Comprehensive Spending Review is not known and it is not clear whether it will apply for a 1 or 3 year cycle.
- 2.3 Our view is that the Growth Hub service is valued by business and partners but we wish to explore whether we wish to expand the remit of the Growth Hub and also consider whether an option for future delivery would be to bring in house.
- 2.4 We are commissioning work to consider the service and delivery options and will bring a report to the November board. We will also speak to a number of LEPs who have recently bought their service in house – Solent, C2C and Dorset have all bought their Growth Hub Services in house over the last year. Currently 37% (14 out of 38) of LEPs now deliver their Growth Hub services through an in-house team. *[24% (9) are contracted to private sector; 21% (8) are delivered by consortia; the remaining 18% (7) are embedded in Mayoral Combined Authorities].*

## 3. Cost and Contractual Consideration

- 3.1. In January 2019, the LEP Board agreed the operational budget for the next 3 years, up to 2021/22. For the Growth Hub there was an assumption that the Government would continue to provide £287k of funding per annum with EM3 funding the remainder, £276k at the current level, through a combination of a capital revenue swap of £168kpa and revenue reserves. If we proceed on this basis, we need to consider whether we fund from reserves or negotiate the provision of a capital revenue swap of £336k with HCC to cover 2020/21 and 2021/22. This approach would need to be agreed by PMG and it is planned to take the proposal to the August meeting.
- 3.2. Our current contract with the Growth Hub ends in March 2020 but the existing contract allows us to extend this service should we wish to. We are required by our contract with UMi to give 6 months' notice of any intent to terminate or make changes to the contract for services, meaning we would need to notify our intention to either extend or make changes by September 30<sup>th</sup> 2019. It is unlikely that government will have reached their

view on next steps by September and we therefore propose that we extend the Growth Hub contract for a further three months to June 2020. On the last occasion, the funding announcement was made by Government in November 2017, following the Autumn Statement. We expect similar timings this year although it is unclear whether the decision would be to extend or expand provision.

- 3.3. In light of the current lack of certainty on the future funding position from Government and the need to be mindful of our contractual obligations, the LEP Board is asked to **agree in principle to fund the Growth Hub in the first quarter of 2020/21 (April to June) at the same level as 2019/20.**
- 3.4. This effectively extends the deadline for EM3 to notify UMi of any plans to terminate or change the contract for services to 31<sup>st</sup> December 2019. Should government not decide to extend the Growth Hub service this would result in EM3 funding £140k from our funds to contract the Growth Hub up to the end of June 2019. See table in Appendix 1 for breakdown of budget.

#### 4. **Further options for future delivery of Business Support Activity**

- 4.1. We will commission some work to explore options of services to business. The Government could decide to expand the services currently offered by Growth Hubs.
- 4.2. The Board considered a range of options in March 2018 before deciding on the current arrangements. With the current lack of certainty on levels or duration of future funding, it is prudent to consider the options for 2020/21 onwards.
- 4.3. The EM3 core team are commissioning an independent assessment of the options, to be carried out over the summer period, with a view to presenting to the Board in November 2019.
- 4.4. The options to be considered would include, but not necessarily be limited to:
  - **Do nothing and carry on with Growth Hub in its current form and focus**
  - **Increase the scope and range of activities carried out by the Growth Hub (to do this we would need to use a OJEU tender process)**
  - **Reduce the scope and range of activities carried out by the Growth Hub**
  - **Not have a Growth Hub**
  - **To either deliver similar services as of now or expand but deliver services through**
  - **In-house Growth Hub activities (in this instance we would need to talk HCC HR about TUPE for existing Growth Hub staff)**
- 4.5. All options will be costed, with or without government funds.

#### 5. **Conclusion and Recommendation**

- 5.1. It is recommended that:
  - **The EM3 Board approves, in principle, to continue to fund the current Growth Hub service for the first quarter of 2020/21** in the event that no decision from Government on future funding is made by September 2019.
  - **The EM3 Board agrees, in principle, to extend the current contract with UMi by 3 months** to give effect to the above.

**Rob Dunford**  
**Assistant Director, Business Delivery**  
**20 June 2018**

## APPENDIX 1

### Projected Growth Hub Budget to 2021/22

	Growth Hub Service	2018/19	2019/20	2020/21	2021/22
		£'000	£'000	£'000	£'000
<b>A</b>	<b>Annual cost of GH service</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>
<b>B</b>	<i>Government funding</i>	<i>287</i>	<i>287</i>	<i>287</i>	<i>287</i>
	<i>EM3 top up:</i>				
<b>C</b>	<i>Revenue funds (in year or reserves)</i>	<i>108</i>	<i>108</i>	<i>276</i>	<i>276</i>
<b>D</b>	<i>Capital to revenue fund (allocated for GH)</i>	<i>168</i>	<i>168</i>		
	<b>Annual funding</b>	<b>563</b>	<b>563</b>	<b>563</b>	<b>563</b>

## APPENDIX 2

### EM3 Growth Hub Rocketdesk Case Studies

#### Dyzio

**Formed:** 2015

**Employees:** 2

**Turnover:** £95,000

**Aim:** Increase turnover and hire another developer

**Engaged with EM3 Growth Hub since:** December 2018

**Background:** Dyzio is a software platform built to be the mediator between social media influencers and brands looking to advertise their products. Brands can access information, such as the demographics of their audience and their engagement on different social media platforms for brands to choose them for advertising a particular product. Social media influencers give Dyzio this information so that companies can pick the influencers, who would fit most harmoniously with their brand and will have the greatest engagement with their target market.

The company aims to be the trusted mediator between big name brands and influencers, where currently there is a known problem of large corporates taking advantage of solo entrepreneurs.

**EM3 Growth Hub support:** The Growth Hub support has included a review of the business proposition for attracting customers and analyzing what problems Dyzio 'solves' in the Influencer industry. Due to the limited resources within their team, they were struggling to increase their marketing efforts.

**Outcome:** Growth Hub referred Dyzio to Guildford Borough Council for the Guildford Business development grant worth **£3,000**. With this extra resource, they have been able to increase their paid advertising, so increasing traffic coming through their website and their client numbers.

#### Coinmode

**Formed:** 2016

**Employees:** 7

**Turnover:**

**Aim:** review business model in preparation for upcoming round of crowd funding on Crowdcube

**Engaged with EM3 Growth Hub since:** November 2018

**Background:** Coinmode is a payment platform created specifically for cryptocurrency, which can be integrated into the development of games to create easy and safe payment options for gamers. The software is targeted at the gaming industry due to the rising popularity of professional and competitive e-sports.

**EM3 Growth Hub support:** Growth Champion reviewed crowdfunding pitch and value proposition. Growth Hub facilitated meetings between the CTO of Coinmode and a payment services company.. Growth Champion has also helped write a white paper on the benefits of cryptocurrency integration into games.

**Outcome:** successfully raised **£547,460** crowd funds

The partnership with the payment services company is estimated to save **£100,000s** and 6-12 months in development time, allowing them to be ready for market a lot quicker than previously planned

**CTO of Coinmode** said of the Growth Hub's support: *'Regarding M3 Growth Hub, we have had some very helpful feedback for our pitch documentation from Vincenzo. Having someone who knows this area really well has been incredibly helpful and really appreciate his and Sarah's help. As we come to the next phase of the company we look forward to following up with the various recommended contacts Vincenzo has suggested there could be some mutually beneficial business to be done.'*

## APPENDIX 3

### EM3 Growth Hub Case Studies

#### In-Space Missions Ltd.

**Formed:** 2015

**Employees:** 7

**Turnover:** c£1,000,000

**Aim:** to scale-up to 20 staff and treble annual turnover to over £3m by 2021; and to grow to a turnover in excess of £20m by 2025

**Engaged with EM3 Growth Hub since:** 2018

**Background:** In-Space Missions Limited based in Bordon was established in 2015 to develop new space missions and to provide consultancy and procurement support to the space industry.

**EM3 Growth Hub support** included:

- Reviewed and critiqued existing Business Plans
- Provided a Business Plan template and ongoing support to generate a plan designed to be presented to potential investors
- Advice and support to generate an Investor Pack containing a “teaser” (i.e. two-page high-level executive summary from the Business Plan) and Investor Pitch Slide Deck

#### **Outcomes:**

- Referral to Innovate 2 Succeed to help with a company health-check and HR support
- Passed on contact details for Moneycorp to explore options for “hedging” to mitigate currency exchange issues
- Introduced specialist in R&D tax allowances to generate short-term cash from unused R&D tax credits
- Provided contact details for Productivity Finance, Rangewell and FSE Group to explore sources of funds
- Generated lists of Private Equity and Venture Capital Trusts with filters to narrow the search to those operating in the high-tech- space-tech sectors so that the company can approach these seeking investment in the business
- Provided contacts in support of ISO9001:2015 accreditation

#### Bee Good Enterprises Ltd.

**Formed:** 2008

**Employees:** 4 (plus external contractors on retainers)

**Turnover:** c£200,000

**Aim:** double staff numbers in the short term; owners anticipate annual revenues in excess of £5m within five years

**Engaged with EM3 Growth Hub since:** 2019

**Background:** Bee Good Enterprises Ltd is an independent British skincare company based in Basingstoke, Hampshire, blending honey bee ingredients with naturally active botanicals to create a range of skincare products for women and men of all ages and all skin types. For several years the company was run as a “lifestyle” business, but in recent times success in selling through large distributors (including Amazon and Waitrose) has opened up an opportunity for **rapid scale-up**. A recent crowdfunding round, originally seeking to raise £100K, achieved £256K of investment.

**EM3 Growth Hub support** included:

- Advice on expansion into Germany and USA (specifically, gaining sponsorship from Amazon for Germany / EU to gain EU VAT registration, to open markets in France, Spain, Czech Republic, Poland and Germany and to place Bee Good products into Amazon warehouses across the EU)
- No deal Brexit advice in relation to cosmetics regulatory approvals currently in place for the EU
- Advice on seeking cosmetics regulatory approvals for Taiwan as Taiwan and Greater China are strong potential markets
- Advice on gaining USA FDA approvals opening the lucrative US market within a 6-month timeframe
- Reviewed website and rebranding
- Support in employing **4 new employees**
- The company has a growing volume of repeat bulk orders from Waitrose, which is set to increase. The company is also in negotiations with several other high-end stores and is close to opening up new accounts – which will be much easier once the new business development / sales people have been recruited