

**Open Report on behalf of Richard Wills,
Executive Director for Environment and Economy**

Report to:	Environment and Economy Scrutiny Committee
Date:	16 January 2018
Subject:	Lincolnshire's Growth Hub

Summary:

LCC and Greater Lincolnshire LEP collaborate to deliver the Business Lincolnshire Growth Hub. The growth hub provides a range of advice services to businesses as well as a detailed source of business information through its website www.businesslincolnshire.com

The current cycle of business support programmes is coming to an end which provides the opportunity to evaluate the growth hub's services and to identify any gaps before LCC makes new bids for funding. This paper, which is an executive summary of a more detailed report which is attached as Appendix A to the report, shows that the Business Lincolnshire Growth Hub operates effectively but it identifies several gaps in provision which LCC could look to fill as we move forward.

Actions Required:

Members of the Environment and Economy Scrutiny Committee are invited to:

1. Review the outcomes and customer satisfaction that the Business Lincolnshire Growth Hub is delivering;
2. Note the gaps identified in current provisions and task officers with developing approaches for meeting these business needs including appropriate funding bids.
3. Consider how members can promote www.businesslincolnshire.com to businesses in Lincolnshire.

1. Background

Lincolnshire County Council works closely with the Greater Lincolnshire Local Enterprise Partnership to help businesses to prosper.

The approach that we have to providing direct support and advice to businesses is the "Business Lincolnshire Growth Hub". The Business Lincolnshire Growth Hub is part funded by a government grant which we then expand by attracting EU grants.

The publication of the government's industrial strategy, and the availability of another round of EU funding, means that it is timely to evaluate the direction and impact of the Business Lincolnshire Growth Hub.

By tactical use of government and EU funding, coupled by businesses' own contributions to the service, an extension can be made to the Business Lincolnshire Growth Hub at no net cost to LCC.

Business support within the Lincolnshire economy

The Lincolnshire economy is characterised by having small and often long established businesses. Unemployment is relatively low. However, productivity is low too at 86% of the UK average.

Our main objective in supporting businesses is to raise productivity. Businesses in productive areas will typically invest in support, innovation and technology; they will export more regularly; and they will invest in their staff's career development.

The LEP is commissioning a study into productivity which will be conducted during the first half of 2018; there will be substantial input from LCC into this study. In advance of this study being concluded we can use the results of our various employer surveys to help us to assess the scope and impact of the Business Lincolnshire Growth Hub.

Businesses in Lincolnshire cite the main barriers to growth as¹;

- Poor transport infrastructure
- Lack of capital for investment
- Availability of appropriately skilled staff

In terms of business support, the top things businesses state they require to move their business forward are²;

- Keeping up to date with technological advancements
- How can they market their business more effectively
- Access to skilled technical staff
- Leadership and management capacity
- How can they find new markets

Business Lincolnshire Growth Hub programmes

Clearly the Business Lincolnshire Growth Hub is not tasked with addressing transport infrastructure issues; that is the role of LCC as the highways authority. LCC is starting to prepare a new transport plan which will come to the Environment and Economy scrutiny committee and the Highways and Transportation scrutiny committee as it is developed.

¹ Greater Lincolnshire Business Survey, May 2014

² Business Lincolnshire Insight Research, January 2017

A main principle of growth hubs across the country is that they should only provide services where the private sector fails to do so.

The Business Lincolnshire Growth Hub holds a regular Financial Intermediary Forum which brings accountants, banks, and other private sector deliverers of business support together so that they can set out the services that they deliver and align those services with the Business Lincolnshire Growth Hub. The main services that the private sector provides in Lincolnshire concern the development of financial strategies.

Our Business Lincolnshire Growth Hub services address the challenges that businesses have identified as follows:

Constraint to business growth	Example of Business Lincolnshire growth hub response
Lack of capital for investment	Grants for growth is a specific grant scheme 8 other advice programmes also offer a grant to help the business take advantage of the advice they have received
Availability of appropriately skilled staff/ Access to skilled technical staff	Specialist skills advisers Specialist industry educators Skills support for the workforce
Keeping up to date with technological advancements	Innovation advice programme Lincs Open Research and Innovation Centre
How can they market their business more effectively	Growing enterprise Collaboration for growth
Leadership and management capacity	Growing graduate enterprise
How can they find new markets	International trade advice Internationalising East Midlands SMEs

Please note that a detailed description of these and all other Business Lincolnshire Growth Hub programmes can be found at www.businesslincolnshire.com

Needs Analysis

Impact assessment

We have undertaken a benchmarking exercise with five other growth hubs in the country. Whilst growth hubs in different areas have different operating models, we can make some assessments of the impact of the Business Lincolnshire Growth Hub. Our growth hub has achieved the following reach compared to the average of the six growth hubs:

Indicator	Business Lincolnshire metric	Average metric of the 6 growth hubs in our benchmarking group
Businesses engaged	3088	2896
Intensive support provided to businesses	184	255
Jobs created	310	79
Customer satisfaction	93%	76%

It is clear from the benchmarking exercise that the Business Lincolnshire Growth Hub is performing well and therefore that the various activities within the growth hub should be continued.

However, discussions with businesses and partners have indicated that there are two broad gaps that the growth hub should address moving ahead. The first is in the range of products available, and the second is in the specific targeting of business types.

Gaps in the range of programmes

Business management and leadership: a limited amount of support for business management and leadership is currently available from the Business Lincolnshire Growth Hub. This could be tackled by developing an academic leadership programme which provides business leaders with underpinning knowledge, and by developing a peer to peer network so that businesses can learn from one another.

Exporting: despite international trade being a high government priority the number of businesses exporting in Lincolnshire is below the national average. The current programme of export support that is delivered by the government's Department for International Trade in Lincolnshire has not met its targets. LCC will continue to promote international trade with its relationship with Hunan, China, but there is a need to work with DIT to shape their provision so that it is more suitable to the county's economy.

Product development: markets, customers, and processes are all changing. The Business Lincolnshire Growth Hub provides a substantial set of innovation programmes which give businesses the advice and support required to develop

innovative processes in particular. However, our partners have identified that there is a gap in helping businesses to develop prototypes of new products.

Targeting specific business types

The government has set a policy priority of working with those businesses which have the greatest opportunity to grow. These are often described as "scale up" businesses.

Typically, the entrepreneur who is leading a scale up businesses will want a different relationship with the business support community. Studies show us that they need networking opportunities, advanced financial strategy skills, and a strong relationship with local authorities who will understand and support their growth requirements especially regarding property and available skilled workforce. Business Lincolnshire Growth Hub has been asked to establish a service for scale-up businesses by government. It will require careful design to ensure that it meets the needs of scale-up entrepreneurs.

2. Conclusion

The Greater Lincolnshire Business Growth Hub provides a good range of services and has high customer satisfaction levels. A small number of gaps in provision have been identified and these could be filled by further grant applications.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

N/A

b) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Summary: Evaluation of Support Services to Business and Future Plans

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Samantha Harrison, who can be contacted on 01522 550576 or Samanthal.harrison@lincolnshire.gov.uk.

Summary: Evaluation of Support Services to Business and Future Plans

Overview:

It is recognised that there are a huge range of excellent business support offers across Lincolnshire, but the overriding challenge is to demystify the support, clarify the provision, outcomes in an informed but impartial way. Lack of awareness about the range of support available for business growth is the greatest barrier to accelerated business change.

The strategic aim is to support businesses increase their productivity, drive economic growth and ultimately create new high value jobs within Lincolnshire. The Business Lincolnshire Growth Hub has the remit to help develop and shape future provision in order to meet business needs. There is an opportunity to continue access European Regional Development Funds to help to finance the business support offers for 2019-2022. LCC has a pivotal role in leading the way to ensure that there is a simplified, yet effective range of business support offers.

Background

Strategic Direction – To encourage enterprise through support to business and our growth sectors.

There are 36,430 registered enterprises in Greater Lincolnshire. Of these, over 33,440 (88 per cent) are classified as Micro businesses (0 to 9 employees). A further 3,660 (9.7%) are classified as Small businesses (10 to 49 employees). There are 615 medium sized (50 to 249 employees) enterprises (1.6 per cent), with a further 125 enterprises employing over 250. In total, 99.7 per cent of registered businesses in Greater Lincolnshire are SME's.

In addition to this, there are an estimated 45,700³ unregistered sole proprietors or partnership businesses within Greater Lincolnshire, the majority of which are estimated to employ fewer than 9 people.

It is recognised that there are a huge range of excellent business support offers, but the overriding challenge is to demystify the support, clarify the provision, outcomes and time implications in an informed but impartial way. Lack of awareness about the range of support available for business growth is the greatest barrier to accelerated business change.

The strategic aim is to support businesses increase their productivity, drive economic growth and ultimately create new high value jobs within Greater Lincolnshire.

³ This figure is an estimate based on self-employment levels using national methodologies but should not be treated as a precise count.

Needs Analysis

Accelerate the growth of existing businesses

Business productivity in Greater Lincolnshire is 86% of the UK average - £27.50 GVA per hour worked⁴. This is important as Business Productivity is seen as the main determinant of Living Standards (Office for National Statistics) and is seen as being fundamental to the success of the modern industrial strategy.

We need to assist businesses to increase the productivity through embracing innovation, support high level skills, supply chain development, increasing their customer base, accessing new markets and talent retention.

We will do this through a tailored support service which encompasses generic growth advice as well as strategic growth, innovation, resource efficiency, supply chain, access to finance, digital, skills development and growth funding offers.

Businesses in Lincolnshire cite the main barriers to growth as⁵;

- Poor transport infrastructure
- Lack of capital for investment
- Availability of appropriately skilled staff

In terms of business support, the top things businesses state they require to move their business forward are⁶;

- Keeping up to date with technological advancements
- How can they market their business more effectively
- Access to skilled technical staff
- Leadership and management capacity and capacity
- How can they find new markets
- Access to growth finance

Local and national studies show that businesses which engage in innovation and collaboration are much more likely to thrive. The Greater Lincolnshire business survey (2014) showed that almost 8 out of 10 businesses who engaged in some form on innovation had grown their businesses, compared to around 6 out 10 who did not innovate. However, levels of businesses engaging in such activities in Lincolnshire are traditionally lower than the national average (as evidenced by national research by Enterprise Research Centre and Smart Specialisation Hub). Therefore business support activities are very important in giving such businesses the confidence, support and means to grow their business.

⁴ Based on 2015 figures relating to Nominal (smoothed) GVA per hour worked figures, ONS Sub regional Productivity data, published January 2017.

⁵ Greater Lincolnshire Business Survey, May 2014

⁶ Business Lincolnshire Insight Research, January 2017

Lincolnshire businesses have access to the right business support available when they need it.

In order to achieve this outcome we have focused following elements:

- Understanding the business demography profile of Lincolnshire economy and the factors that affect growth
- Developing excellent market intelligence on the priority sectors for growth and their business growth challenges
- Commission business and sector research to investigate evidence of need and opportunities for growth
- Using the Business Lincolnshire Growth Hub to bring together provision (LCC, GLLEP and external delivery agents) under a single umbrella and identifying duplication and gaps
- Working with external delivery agents to ensure ERDF funded provision is complimentary and aligned
- Working closely with national business support offers (DIT/Innovate UK) to shape local provision
- Where there is market failure, preparing robust funding bids on behalf of LCC for bespoke business support/sector solutions
- Commission business support offers/providers to meet gaps in provision
- Develop and deliver a robust PR and Communications plan to increase business engagement and take up.

The Enterprise Growth Team manage and host the Business Lincolnshire Growth Hub. It was launched in April 2015 following a BIS (now BEIS) requirement for all 38 Local Enterprise partnerships to facilitate the development of a Growth Hub to provide one stop support shop which supports businesses from all sectors and at all growth stages.

The Growth Hub provides a single access point to a targeted package of information, diagnostic, advisory and development programmes. Furthermore, the Hub ensures a 'single conversation' is facilitated with local businesses, raising awareness and uptake of both public and private sector support, by improving coordination, coordination, marketing and signposting.

Growth Hubs have three main objectives:

- Improve the awareness and coordination of local and national business support
- Provide clear signposting and diagnosis to help businesses find the right support easily
- Improve the impact and value for money of business support

How is the Growth Hub funded?

These services have been provided as a result of a successful bid to BEIS for £300,000 of revenue funding for the year 2015-2016 plus a further £246,000 for 2016-17 and 2017-18. Some of the BEIS funds have been used to support businesses who are ineligible to access the ERDF (European Regional Development Fund) funded business support programme eg retail, tourism businesses, large employers, foreign direct investment businesses. Thus providing support for ALL businesses seeking to grow. The BEIS funds are also being used to support GLLEP Priority Sectors eg Visitor Economy review, Digital Landscape Analysis etc.

In order to continue to provide the existing Growth Hub offer and also to enhance it locally to meet market failure, LCC made an application for £2,475,829 of ESIF funding from the 2014-2020 Operational Programme to deliver the £4,153,047 3 year Sustainable Business Growth Programme. This is a partnership application between LCC, North Lincolnshire Council, E Factor (on behalf of North East Lincolnshire Council) and the University of Lincoln.

The funding provides a strategic and comprehensive business growth programme, tailored to the specific needs of Eligible SMEs within the Greater Lincolnshire LEP area and aligned with the GLLEP strategic economic plan. It offers a range of one to one support, including Business Growth, Supply Chain Development, Resource Efficiency and Investment Readiness (including the continuation of the Lincolnshire Investment Network), complemented by a small grant pot which will provide grants from £500 to £10,000 at varying intervention rates, dependent upon the level of grant.

A further ESIF Digital Support bid secured a further £578,349 of funding to deliver a £963,915 3 year programme to provide digital support to businesses. This includes services such as a 1 to 1 advisory support digital health-check, cyber security audits, as well as providing access to super high tech equipment via the Lincolnshire Technology Hubs. There is also a small grant pot to help businesses bring forwards digital business projects (grants of £1,000 at 50% intervention rate).

The funds from both BEIS and ERDF are contributing to a single strategic business support contract which will deliver the LCC led Business Support and Grant Activity which will be known collectively as the 'Growth Lincolnshire' offer. This contract has been tendered and won by EMB Ltd, they deliver a "white labelled service."

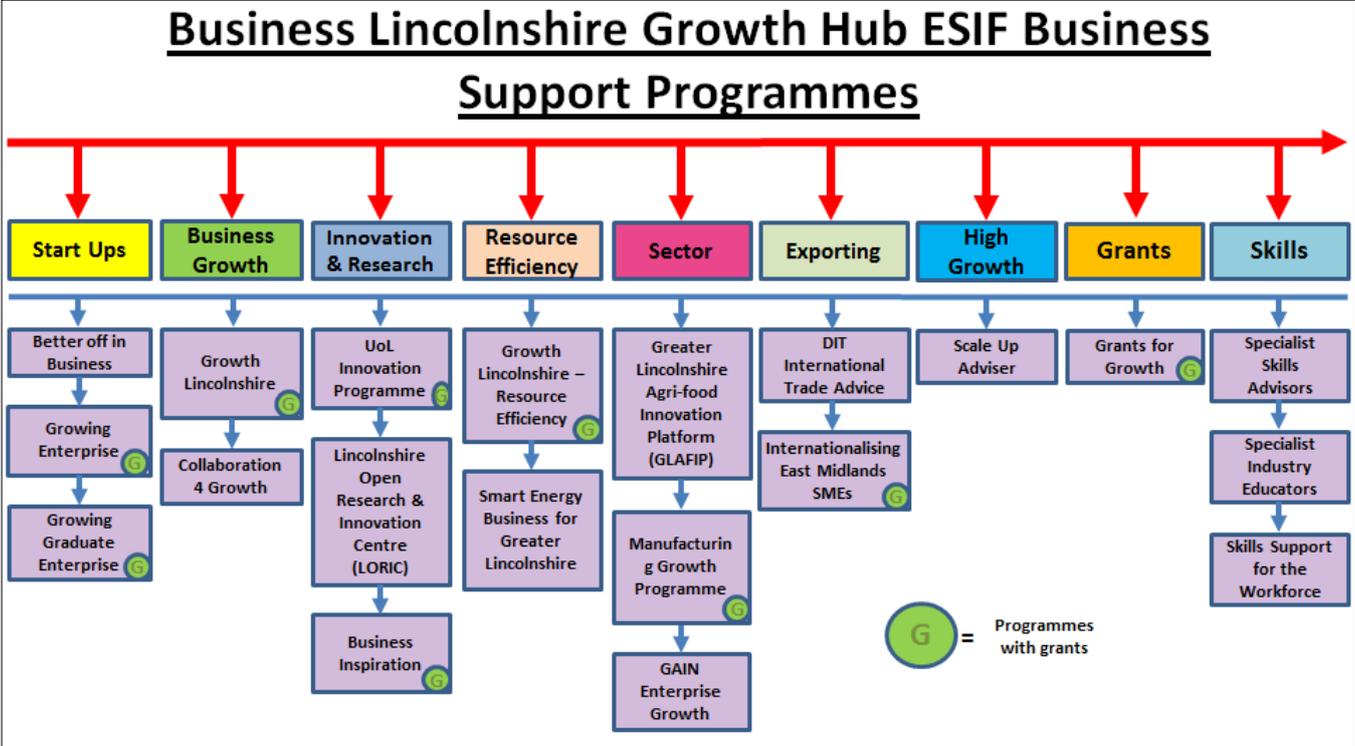
Wider ERDF Funded Business Support Activity

The Greater Lincolnshire LEP's ESIF Committee asked the Growth Hub Governance Board to analyse the local and national ESIF applications to ensure alignment with the Growth Hub, with a view to ensuring complementary activity rather than duplication and enhanced activity over and above the national programmes e.g. DIT, Innovate UK. The Growth Hub team act as an 'Intelligent client' and help the ESIF committee to review strategic fit, make recommendations, ensure alignment, clarify the offers and to eliminate duplication.

This has resulted in the Growth Hub offer being designed following a detailed review of the existing offers and has helped to shape other ERDF funded support planned for Lincolnshire which is being delivered by various organisations across the county under the Growth Hub banner. This joined up approach has been implemented to identify gaps in provision and to reduce overlaps. The table below provides a summary of the other provision that is currently being delivered in Greater Lincolnshire, this provision has secured £14,949,000 from ERDF funds.

The programmes have been developed to show a ladder of progression from starting in business through to innovation and growth. The ERDF funding process has taken a long time to secure the funds (18 months) and this had an impact in terms of programme continuity. Therefore some of the current programmes have had a slow start but the momentum is now building.

Diagram 1



The above programmes will come to a close during 2019 and a new ERDF bidding (£15,545,000) round has recently been launched for new / continuation business support activity for a further 3 years from 2019-22. All of the business support delivery agents will be required to discuss their continuation programmes with the Growth Hub to ensure strategic fit and alignment and this will be clearly stated in their ERDF contract.

Future Business Support Gaps in Provision

The current provision is working well, there are a couple of overlaps in terms of advisory provision with the ERDF and ESF Skills offers, but we are working through this.

LCC will be submitting a further 3 year ERDF bid to continue to deliver one to one support, including Business Growth, Supply Chain Development, Resource

Efficiency and Investment Readiness, Digital Engagement and Scale Up Support that will be complemented by a small grant pot which will provide grants from £500 to £10,000 at varying intervention rates, dependent upon the level of grant.

The additional business support gaps identified to date include;

1) Support for growth ambitious businesses - A Scale Up offer for businesses that meet the future and existing Scale Up definitions (businesses with 5-10 + employees, T/O £250 + and the potential to grow by 20/50% over 3 years) is required. There needs to be an account manager to proactively find and assist these business and provision needs to be developed for leadership and management support.

Solution – A new Scale Up Account Manager will be in post in January 2018. The Lincoln International Business School (LIBS) will be incorporated into the LCC Business Support extension bid and will provide the Leadership and Management support for Scale Up businesses.

2) A peer to peer mentoring programme, which involves existing successful entrepreneurs from all sector making connection with growth ambition businesses to help guide them through their growth journey and act as a sounding board.

Solution - Should we use BEIS core Growth Hub funds to support the private sector to develop this network ?

3) Product development support - The three Lincolnshire Technology Hubs (Design Blok, MoCap Hub, Horncastle) have identified that there is a gap in their support offer, many businesses come to them with an idea, but it then needs extensive one to one support to establish a proof of concept and design a prototype.

Solution – Incorporate this in the LCC ERDF extension bid.

4) Digital Culture - Supporting the digital technology business sector to develop and to support all businesses to utilise more it products and services.

Solution – continue to work with the private sector, (a group of digital businesses in Lincolnshire has set up their own network)

5) Support to access Funding - hand holding support to guide business through the intricacies of accessing external funding eg Knowledge Transfer Partnership funds, LEADER Funds etc.

6) Export support changes – As part of the Government's drive to achieve a step change in the number of companies exporting, it is focussing more support digitally, where companies' needs are relatively simple. Where companies need more intensive or more personalised advice, DIT is currently piloting an Engage, Diagnose, Broker model, where advisers will diagnose the issues facing businesses, develop an Export Action Plan jointly with the business and then bring in the third party private sector providers to resolve the issues identified. DIT will

be procuring new contractors to deliver the revised model of support from April 2019. The intention is that support will be focused towards medium-sized (50+ employees) SMEs and scale-up/high growth businesses, with export growth ambition.

They have stated that they will seek to access ERDF funds to provide a grant pot to support implementation.

Area of concern, the current ERDF programme of support provides support for all businesses to begin/expand their export activity. Their delivery agents have recently stated that they are struggling to find businesses who want to internationalise and that they will reduce their provision. Therefore, concerns arise because the majority of our businesses will only have access to the web provision and only if they demonstrate growth potential they will gain access to an International Trade Adviser.

Solution – we have ongoing dialogue with the DIT Midlands Director and have reiterated our concerns and they we seek to use the ERDF funding to provide support for all our businesses irrespective size.

7) Sector support – businesses have been clear that they prefer to working with advisers (who have sector knowledge) and access programmes that have been designed specifically for their sector.

Solution – we have a number of expert specialists that help both the LEP and LCC understand the sector and provide industry representation. This will be further enhanced by a 3 year European Interreg bid with the University of Lincoln to provide an Agri tech adviser and automation demonstration facilities. We are also currently working with a manufacturing specialist to support the sector.

Conclusion

To date the Lincolnshire ERDF funded business support programmes are progressing well. After a slow start the momentum has increased and businesses are now embracing the programmes and accessing the funding grants. We have been complimented by the ERDF team and Growth Hub board on our clear route map and growth progression routes. LCC should continue to lead the way to ensure that there is a simplified, yet effective range of business support offers.

We need to ensure that the future programmes are designed to meet business need and fill gaps in provision whilst being aligned to the wider Growth Hub offer.

Risks and Impact Analysis

1) If LCC/GLLEP doesn't seek to enhance the current Growth Hub provision by securing ERDF funds, there will be implications in terms of curtailing business growth and productivity increases and we could also lose the ERDF funding from Lincolnshire.

2) If we don't advise and help to shape external programme there will be duplication and overlap and businesses will be overwhelmed by a plethora of

similar services that may not meet their business growth needs. This will have a negative impact on our reputation. LCC should lead the way to ensure that there is a simplified, yet effective range of business support offers.

3) If we don't assist with then development and focus of business support provision we will be breaching our BEIS Growth Hub contract terms.

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