

**Report to:** Lead Member for Economy

**Date of meeting:** 5 March 2019

**By:** Director of Communities, Economy and Transport

**Title:** Scale Up East Sussex

**Purpose:** To endorse the County Council's research into options for delivering 'Scale Up' business support across the County and to provide a strong evidence base for future commissioning of services.

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**RECOMMENDATIONS:** Lead Member is recommended to:

**(1) Endorse the County Council's research pilots into options for delivering support to businesses in the County to improve their growth rates and become 'Scale Up' companies; and**

**(2) Agree to review the findings of this research at a subsequent Lead Member meeting in order to inform future strategic commissioning decisions around business support in the County from 2020 onwards.**

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## **1 Background Information**

1.1 Since 2015, East Sussex County Council has been providing 'a one stop shop' for business support to businesses through our commissioned 'Business East Sussex (BES)' Growth Hub service, which is funded by the Government's Department of Business Energy Innovation and Skills (BEIS) via the South East Local Enterprise Partnership (SELEP). The County Council has also successfully bid for and run a number of European Regional Development Fund (ERDF) programmes to support businesses, such as the South East Business Boost (SEBB) grants and business support programme, and the South East Invest (SEI) inward investment services programme that provides match funds towards our Locate East Sussex (LES) service. As a result, the County Council has developed further knowledge and experience in successfully running and commissioning such programmes and injecting substantial resources in to the East Sussex Economy. Key achievements of our business support services in recent years include:

- 2,000+ businesses supported by the Growth Hub since it was established in 2015
- £931,649 in grants awarded through the SEBB programme since April 2017
- £2,419,089 private sector investment unlocked through SEBB grants awarded
- Over 150 new full time jobs created so far in 2018/19 through the Council's combined business support programmes

1.2 In 2014, Government commissioned a report into the status of 'Scale Up' companies in the UK, i.e. companies that show year on year high levels of growth in turnover and staff. This was in response to the acknowledgement that the UK lags behind other G8 nations in the number of companies that can demonstrate this type of growth and this is set against a background of the relative 'low' productivity of the UK economy, as described in the Government's Industrial Strategy. The report showed that the UK could see an additional 150,000 jobs and £225 billion in GDP by 2034 if it increased the number of small businesses that were able to 'scale up'.

1.3 Since the publication of this report and the founding of the Scale Up Institute, BEIS have been shifting their focus from traditional business support programmes to those supporting potential scale up (or "high growth") companies in order to maximise economic growth in local areas. Scale Up companies create the majority of jobs and deliver the majority of growth in the UK. It is estimated that a 1% increase in Scale Up companies could deliver an extra £150 Billion to the UK economy.

1.4 It has been made clear by Government that future funding from BEIS will depend on the ability of local Growth Hubs to respond to this new direction of travel. The Economic Development team have been working with partners across the SELEP to ensure we respond to the new requirements set out by BEIS, including carrying out research into best practice and attending BEIS-funded training. This work has built on the research already undertaken by the County Council in 2014 through the publication of the Innovation East Sussex Statement. This research identified 1,600 companies which demonstrated high growth factors and a further 1,500 which were considered as potentially being able to join this high growth cohort, referred to as 'pre-gazelles'. This research provides good evidence as to where these high growth potential companies are, which growth sectors they work within and has enabled the county council and strategic partners to identify which businesses would benefit from more focussed support.

## **2 Scale Ups in East Sussex**

2.1 It is clear from the research that increasing the number of Scale Up companies in an area can have significant impact on productivity and economic growth. However, East Sussex currently has fewer companies which could be classed as 'Scale Ups' than the national average; a recent list produced by the Scale Up institute showed fewer than 20 of companies which meet the definition.

2.2 The number of companies meeting the 'Scale Up' definition in East Sussex is too small to draw any significant conclusions from, but they are distributed across the County, with at least 1 in each District and Borough area. Wealden and Hastings have slightly higher proportions of Scale Ups compared to their share of overall businesses in the County, with small clusters around established Business Park areas. The sectors these companies are in is also wide ranging, including wholesale, health tech, manufacturing and construction. From this admittedly limited data, we can conclude that there is no one sector or geography in the County which predominates in terms of high growth potential. However, there is an indication that certain sectors or geographies may produce a higher proportion of high growth companies.

2.3 We recognise, therefore, the need to provide appropriate and possibly new business support services in East Sussex to those companies which have the best potential to grow and scale up. Traditionally, our business support services have not specifically targeted this group of companies, and therefore opportunities to do so will maximise our economic growth potential.

2.4 The County Council currently receives a grant of £113k per annum from BEIS (via SELEP) to run a local 'Growth Hub', which is under contract until March 2020. BEIS have indicated that they expect local areas to start developing approaches to supporting the growth of Scale Up companies throughout 2019/20 and to formalise these arrangements from April 2020 to access future funding. Therefore to meet this requirement during our current contracting period, and in order to provide learning for commissioning beyond 2020, the County Council proposes to run a series of small research pilots testing out different approaches to supporting companies with the potential to 'scale up'. This will allow us to apply the learning from national research to our area and give us a good evidence base to develop future commissioning strategies.

2.5 The 3 approaches being tested will be:

1. A geographically based pilot focussing on the Newhaven Enterprise Zone area and working closely with the Enterprise Zone board.
2. A sector based pilot focussing on the Construction and Built Environment sector.
3. An open pilot that can work with businesses in any sector and any geography.

2.6 These three approaches have been chosen to test whether it is most effective to try to support an increase in Scale Up companies in a particular geography or sector, or whether an approach which chooses businesses solely on their ability to grow, no matter where they are located or what they do, is more productive. The Newhaven pilot was chosen due to the potential for joint work with the Enterprise Zone and the ability to tie in with wider business engagement in the area. Construction and Built Environment was chosen for the sector pilot as this is one of the County's key economic priority areas. It is a sector facing a number of significant challenges, and it is felt that there are local businesses that could be supported to find ways of responding to these challenges.

2.7 The pilot programmes will cost approximately £75,000 and will be met from existing budgets.

2.8 The research pilots will be independently assessed and the initial findings will be available in the Autumn, in time to inform decisions around the future of businesses support beyond March 2020.

### **3 Conclusion and Reasons for Recommendations**

3.1 Supporting companies to 'scale up' can have a significant impact on economic growth. It will be increasingly important to the future growth of the East Sussex economy that we drive up the number of scale up companies in the County. The research pilots will therefore provide useful evidence to help the County Council and strategic partners to make the case for investment in scale ups.

3.2 The Lead Member is therefore recommended to endorse the current approach and to agree to the results of the current research being used to shape future business support.

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#### **LOCAL MEMBERS**

All.

#### **BACKGROUND DOCUMENTS**

2014 Innovate East Sussex Report and Technical Annex:

<https://www.eastsussex.gov.uk/environment/planning/regeneration/innovate/>

2014 Scale Up Report:

[http://www.scaleupinstitute.org.uk/wp-content/uploads/2018/02/scaleup-report\\_2014.pdf](http://www.scaleupinstitute.org.uk/wp-content/uploads/2018/02/scaleup-report_2014.pdf)

2018 Scale Up Review:

<http://www.scaleupinstitute.org.uk/scaleup-review-2018/>