

Report to: Lead Member Economy

Date of meeting: 11 December 2019

By: Director of Communities, Economy and Transport

Title: Business Support Services in East Sussex

Purpose: To seek approval regarding the future operating model of the Business East Sussex Growth Hub

RECOMMENDATIONS:

Lead Member is recommended to:

- 1. agree the continuation of Growth Hub services in East Sussex;**
 - 2. agree the close down of the current commissioned outsourced model and the transfer of provision of the Growth Hub to East Sussex County Council for the period April 2020 to March 2021;**
 - 3. subject to agreement of recommendation 2, ensure a review is undertaken of the service provision delivered by East Sussex County Council by November 2020 to enable Lead Member to assess progress and effectiveness and determine future delivery; and**
 - 4. agree the delegation of authority to the Director of Communities Economy and Transport to take all actions necessary to give effect to recommendations 1 and 2.**
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1. Background Information

1.1 'Driving Sustainable Economic Growth' remains one of East Sussex County Council's (ESCC) priority outcomes.

1.2 Key to supporting sustainable economic growth is the provision of Growth Hubs which act as a gateway 'one stop shop' in providing business support services. These are funded by Government and run by the 38 Local Enterprise Partnerships in England to help businesses navigate the variety of local and national sources of support available to them. The South East Local Enterprise Partnership (SELEP) receives a grant from the Government's Department of Business, Energy and Industrial Strategy (BEIS) and is the responsible authority for Growth Hubs in the region. SELEP's Strategic Board delegated responsibility for the delivery of Growth Hub services to each of the three upper tier local authorities in the federated areas of the SELEP (East Sussex, Essex and Kent).

1.3 The County Council manages the 'Business East Sussex' (BES) Growth Hub, receiving a proportion of SELEP's BEIS grant. BES is currently run under contract by the Let's Do Business Group (LDBG). The BES Growth Hub delivers the mandated services as set out in the grant from BEIS and also delivers on the East Sussex Growth Strategy (2014-2020) by supporting local Small and Medium Sized Enterprises (SMEs) to survive and grow in the county.

1.4 The current contract comes to an end in March 2020. We have had an indication from BEIS that funding will be allocated for the Growth Hub, initially for just one year from April 2020 to March 2021, but do not yet have this officially confirmed. However, in order to prepare and continue to provide a service to local businesses, ESCC needs to take decisions now, ahead of the funding announcements, on how to sustain the BES Growth Hub beyond the current March 2020 contract end.

2. Supporting Information

2.1 The grant for the Growth Hub from SELEP is currently £113k per annum. The current cost of running the BES Growth Hub is £160k with the balance being made up from the Economic Development SME Commission budget. We are assuming that future BES funding will be at the same level as the current

funding, which has not increased since first being awarded in 2015. In real terms, therefore, this is a reduction in funding.

2.2 Our current provider has indicated increases in costs that would make the existing delivery model unviable within the current budget. This is supported by conversations on costs with providers of Growth Hubs in other areas.

2.3 The Economic Development team has carried out research to benchmark current services against best practice locally and nationally, and has undertaken financial modelling on a range of options to ensure the future sustainability of the Growth Hub in East Sussex going forward. The Growth Hub has also been subject to evaluation by external consultants, who looked at the provision of services across the whole of the SELEP region and made recommendations for future service improvements. These recommendations have been taken into account in the options analysis for future development of the service.

2.4 There are increasing demands in terms of the role and responsibilities that are being expected of Growth Hubs. Growth Hubs are seen by Government as key delivery platforms for the National Industrial Strategy, and the related Local Industrial Strategies (LIS). While the SELEP LIS is not yet signed off by Government there are clear themes coming through at regional level which accord with national priorities. Growth Hubs are already being asked to respond to these, for example improving productivity of SMEs and, notably, enabling high growth potential businesses to 'scale up'.

2.5 This new requirement from BEIS for Growth Hubs to demonstrate what bespoke support is being given to companies with the potential to 'scale up' is a significant shift from previous requirements which had more of a generalist approach and favoured a higher volume/ lower intensity way of working. We have only been able to meet this requirement in the current contract period because the County Council, with the endorsement of the Lead Member for Economy on 5 March 2019, funded and commissioned a Scale Up pilot programme outside of the BES contract.

2.6 Over recent months the Growth Hub has also been required to take on significant additional work on coordinating and implementing support for SMEs with regard to Brexit preparedness. This has necessitated significant shifts in resources/direction of work to ensure work is carried out in line with government mandate.

2.7 It is clear, therefore, that Growth Hubs are being required to do more and to provide a service which is able to respond to shifts in policy direction at short notice, at a time when there are already financial pressures on the service.

2.8 These frequent shifts in emphasis from BEIS can be difficult to respond to when services are procured under contracts, which may last up to three years before being fully retendered.

2.9 In the majority of LEP areas, Growth Hub services are delivered by the LEP itself, although BEIS do not currently mandate the format for delivery and allow LEPs to determine this for their local area; in East Sussex this responsibility is delegated to ESCC from SELEP for our federated area. Prior to the election announcement SELEP was made aware that BEIS intended to announce a review of the structure and delivery models of Growth Hubs in the coming financial year. While this review will possibly now depend on the outcome of both the current election and the continued Brexit negotiations, it is understood that in the past BEIS have had reservations regarding outsourced Growth Hub models.

3. Conclusion and Reason for Recommendations

3.1 Lead Member is recommended to agree to the continuation of the Growth Hub services in East Sussex as this supports ESCC's key strategic priority of "driving sustainable economic growth" and addresses the strategic priority of supporting business growth contained within the East Sussex Growth Strategy 2014-2020.

3.2 As set out above and in the exempt information in the appendices accompanying the report later on the agenda, maintaining the status quo and commissioning future BES Growth Hub services in the way that has been done in the past is no longer an option. It is clear that the most sustainable option at this time that is affordable, provides flexibility and continuing credibility is to bring the Growth Hub in-house from April 2020 until further review is necessary.

3.3 Lead Member is therefore recommended to agree the closing down of the current commissioned outsourced model and transfer the provision of the service to East Sussex County Council from April 2020 for one year in the first instance. This is based on the reasons outlined above and in the report containing exempt information later on the agenda, principally taking into consideration our ability to respond to

changing mandates from Government as well as the evaluations and research which have been carried out on the SELEP and BES Growth Hubs. Financial constraints also play a role alongside the expectation of delivery of higher value, more impactful interventions and flexible responsiveness to changes in the economy. The accompanying confidential report sets out the financial modelling for an insourced solution and demonstrates how this will enable ESCC to provide a sustainable future for the service in the current climate. Furthermore, an insourced model will ensure the Growth Hub's independent and impartial role is preserved and will, we believe, allow us to respond to the expected review of Growth Hub structures next year more easily than if we were already under contract. Finally, direct delivery will increase the profile awarded to ESCC as a Growth Hub delivery body, as well as increasing the opportunity to make strategic links and referrals across other teams in the County Council and other public sector bodies.

3.4 As well as the strategic drivers set out above, there are also some risks associated with the insourcing of the Growth Hub. Primary among these is that ESCC would assume responsibility for the staff delivering the Growth Hub service along with any associated costs, such as redundancy, were funding to cease in the future. However, we believe these risks are manageable and not outweighed by the benefits as set out here and in the Appendices to the report containing exempt information later on the agenda.

3.5 In agreeing that the Growth Hub service comes in-house the Lead Member is recommended to confirm a review will be undertaken of the service provision delivered by November 2020 to enable Lead Member to review the progress, effectiveness and determine ongoing future delivery.

3.6 Finally Lead Member is recommended to agree the delegation of authority to the Director of Communities, Economy and Transport to take all actions necessary to give effect to recommendations 1 and 2.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

None