

HEY LEP Business Support Board

12th May 2022

Paper B - Growth Hub Operational Update, Growth Hub Review & Recommendations

1. Summary

- 1.1. The HEY Growth Hub continues to deliver a suite of funded business support services in the region and is expanding its team with new job posts. This paper provides an operational update on the Growth Hub for the financial year to date.
- 1.2. This paper also provides an update on the funding settlement received by HEY LEP for Growth Hub Activity.
- 1.3. Finally this paper provides a summary of the Growth Hub Review which is now complete.

2. Recommendation

2.1. That the Board:

- notes the latest operational update.
- notes the funding settlement received from BEIS for 2022/23
- notes the completion of the Growth Hub Review and its findings.
- approves the Growth Hub team progress the creation of a delivery plan to build on the findings of the Growth Hub Review.

3. Operational Update

- 3.1. **Business Intelligence** - The Growth Hub is responsible for the gathering and monitoring of business intelligence, economic trends and issues in the Hull and East Yorkshire region. This is reported into BEIS on a monthly cycle, using a prescribed intelligence monitoring template.
- 3.2. Some of the salient business intelligence trends seen over recent weeks includes:
 - 3.2.1. *Labour Market Issues* - As in the last three months we have again received reports of ongoing issues of labour availability in the region. We have received this month reports of businesses struggling to recruit a range of staff, in both professional and non-professional roles.
 - 3.2.2. *Supply Chain Issues – Cost/ Supply Issues* -We have received continued reports of rapidly increasing prices, especially for raw materials . Business have reported to us that they are struggling to absorb price increases for raw materials and are raising prices as a result. In some instances we are receiving reports these rapidly increasing prices are creating cash flow issues for local businesses. The LEP are receiving reports of shipping problems for businesses in the HEY

LEP area, both to Europe and worldwide. This is increasing costs and providing long lead times for products.

3.2.3. *Energy* - Increasing energy costs are being reflected in our discussions with businesses. HEY LEP and partners have seen an upturn in enquiries for energy efficiency grants, and businesses heavily reliant on transportation have reported feeling fuel cost rises. The area notes an increased move towards companies investing in, or trying to source, electric vans.

3.2.4. *Increased requests for business support activity* -The HEY LEP Growth Hub has noted increased volume of support requests for this month. Enquiries for new start-up businesses support is strong with 63 received in the month, alongside high levels of enquires for ICT funding support and increase enquires from community groups. There are also a good number of businesses looking for support with Cap Ex projects.

3.3. Other Operational Updates

3.4. The Growth Hub is currently collating and validating business engagement metrics and client feedback data for financial year 2021/22, which is due for submission to BEIS by 31st May 2022. Early indications are that the Growth Hub has met or exceeded its contracted KPIs agreed with BEIS at year start. A summary report of HEY Growth Hub performance in 2021/22 will be presented at the next meeting of the Business Support Board in July.

3.5. A number of new staff members have joined the team in recent weeks. Kevin Xu has joined the Growth Hub team as an Administration Officer, whilst Declan McCarthy has joined the team as an Events & Marketing Administration Officer, both working on the Growth Hub's ERDF Business Growth Scheme.

3.6. The Growth Hub's Business Growth Scheme is currently finalising the scoring and award of four contracts to deliver workshops, webinars, and masterclasses to SMEs, procured as four lots via an open tender exercise. The four lots are as follows:

- 1) Sales & Marketing
- 2) Business Productivity and Business Improvement Processes
- 3) Business Leadership, Innovation & Culture
- 4) Recruitment, HR, and Workforce Development

It is anticipated that the contracts will be awarded by 1st June, with delivery of first workshops to take place later that month. The contracts will run until 30th June 2023 due to conditions of ERDF funding.

4. Growth Hub Funding Settlement 2022/23

4.1. The LEP received a letter from BEIS on 30th March confirming funding allocation for the year 2022/23.

4.2. This letter confirmed that BEIS core funding to LEPs for their Growth Hubs across the UK had been agreed at a reduced rate of £11m in total (a 50% reduction on the core

budget of 2021/22). For the HEY LEP Growth Hub this 50% reduction represents a fall in funding from £430,750 in 2021/22 to £215,375 for 2022/23.

- 4.3. This represents a substantial cut in budget and which inevitably will impact upon the scale and amount of activity which can be delivered for this financial year.
- 4.4. The HEY LEP has also suffered a 25% cut in overall core budget from BEIS and these funding settlements in combination, are necessitating a review of all LEP activity including Growth Hub.
- 4.5. The HEY LEP are currently working with its accountable body and stakeholders to develop a viable budget for the organisation, and this will set the framework for discussions around Growth Hub delivery for 2022/23 which will be held with delivery partners with urgency after the LEP budget is finalised.
- 4.6. We shall provide ongoing updates to this board following these discussions.

5. Growth Hub Review and Recommendations

With the launch of the Hull & East Yorkshire LEP and Growth Hub on 1st April 2021 and the subsequent formation of the LEP's Business Support Board in the Summer of 2021, LEP Officers recommend that a review of the HEY Growth Hub be undertaken, to ensure that the Growth Hub can meet the needs of the Hull and East Yorkshire business community, as well as play its part in the delivery of the HEY LEP Economic Growth and Workforce Wellbeing Strategy 2021-26. This recommendation was proposed and ratified at the meeting of the Business Support Board on Monday 1st November 2021.

5.1. The agreed purposes and objectives of the review were as follows:

- Given a variety of external governance, strategic and funding matters, the HEY Growth Hub is at a crossroads, and this is the opportune time to review the Growth Hub to identify growth and development opportunities and to refresh Growth Hub strategy.
- Once the multi-stakeholder review of the HEY Growth Hub has been undertaken, a detailed development strategy will be created which will govern the onward development of the Growth Hub. This strategy will include short, medium, and long term objectives as identified.
- The completion of the review and the subsequent creation of a development strategy will provide the Growth Hub management team with a foundation document that can help to steer the future development of the Hub.
- The review and development plan will ensure that the HEY Growth Hub meets and exceeds the needs of its service users; that is the business community of Hull and East Yorkshire as well as pre-start individuals/entrepreneurs.

In order to meet these objectives, the Growth Hub Review utilised primary research undertaken by KADA Research between December 2021 and March 2022 allied with desk analysis of the HEY LEP Economic Growth and Workforce Wellbeing Strategy to ascertain the existing strengths of the Growth Hub activity up to this point and highlight where Growth Hub activity would be required over the coming years. 714 businesses and 22 stakeholders were consulted as part of KADA's consultation

5.2.

5.3. The conclusions of this review can be summarised as follows:

- The Growth Hub's core offer of free, impartial, account managed advice and guidance to any business in the region is highly valued by businesses and stakeholders alike, and whether this is delivered in the future under the Growth Hub brand or not, this is an essential facet of the business support infrastructure in Hull and East Yorkshire. Therefore, adequate resource needs to be identified to maintain this offer.
- Some current Growth Hub services need to be further developed, expanded, and marketed including support to explore and adopt digital technology, access to investment and finance, support to access supply chains, support for firms to scale up, and workforce development support. Financial resource will need to be identified come the end of ESIF funded programmes in 2023 to continue some of these existing interventions.
- A number of specific business and enterprise support needs require new interventions, relating to such matters as business resilience, net zero, support for social enterprise, and a support offer to pre-starts and start ups to help foster an enterprise culture in the HEY region.
- The Growth Hub client journey and user experience needs to be overhauled, with less emphasis placed on the requirements and strictures of individual programmes and more focus on a single pathway of support for each unique business, driven by business need and handled by a consistent core offer via a named account manager. This will help to attract and retain more businesses to the service and remove some of the barrier to accessing support put forward by businesses.
- The Growth Hub is well networked with other providers of business support at an advisor level, and business referrals are made between providers to meet the needs of client businesses. However, greater collaboration at a strategic level is needed to ensure superior operational alignment, to avoid duplication of provision, and to help inform the business support infrastructure needed in the region. This would also help to coordinate utilisation of government and levelling up funding such as UK Shared Prosperity Fund.
- Growth Hub marketing and branding needs a further specific review to improve effectiveness, reach of brand and market engagement, as Growth Hub awareness amongst the business community is low. Furthermore, a number of barriers and misconceptions about accessing publicly funded business support exist within the business community and these need to be overcome.
- A review of the monitoring and evaluation used by the Growth Hub needs to be undertaken, with a view to creating more sophisticated data and intelligence that is used to inform the business support provision in the HEY region on an ongoing basis. Alignment with other delivery partners to achieve this would help to measure the impact of funded business support as well as the longitudinal impacts of funded support. This in turn would help inform business cases to accessing external sources of funding such as levelling up, UKSPF and devolved funds.

The Growth Hub Review: Summary of Findings report will be circulated to the Business Support Board in advance of the board meeting of 12th May, and a brief presentation will be given to the board at that meeting by Jon Brunton, Growth Hub Manager.