

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for
Place

to

Cabinet

on

17th March 2015

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Economy and Tourism

City Deal Update

Place Scrutiny Committee
Executive Councillor: Councillor Graham Longley
Part 1 (Public Agenda Item)

1. Purpose of Report

- 1.1 To update Members on the activity completed and still underway in relation to City Deal.

2. Recommendations

- 2.1 That Members note the update on activity.

3. Background

- 3.1 On 14th March 2014 Southend signed its City Deal with Whitehall and was the twelfth of the twenty Wave Two City Deals to do so. As a result of its City Deal Southend has benefitted from two tranches of funding both seeking to provide support to local businesses but delivered in different ways.
- 3.2 By virtue of being a City Deal City Southend was able to bid into a £32m pot of Regional Growth Fund (RGF) money being held by Lancaster University. This was to design and deliver a range of business support programmes which met local needs and to develop a 'Growth Hub' which is the Department for Business, Innovation and Skills' (BIS) desired conduit for providing business support delivery. The Council was awarded £1.8m of RGF money.
- 3.3 The second funding allocation (of £650,000), was for capital works to convert the top two floors of the old Central Library building on Victoria Avenue into a business incubation centre, matching the funding that the Council had invested in converting the lower floors into the new home for the Beecroft Art Gallery. This was on the basis that Southend enjoys an entrepreneurial culture but also sees a lot of churn with high business start-up rates but also high closure rates. It was therefore identified that investment in affordable accommodation

and business support would assist with sustainable business growth. The Centre will also help to stimulate greater footfall along Victoria Avenue supporting aspirations for new investment in this area.

4. Regional Growth Fund Business Support Programmes

4.1 On 29th November 2013 it was announced that the Council was to be awarded £1.8m Regional Growth Fund (RGF) money to deliver business support and a Growth Hub. Since that point, work has been underway and three business support programmes are now being delivered: grants, innovation vouchers and workshops/events.

4.2 The team, funded by RGF and employed to undertake the business engagement in relation to the programme, has delivered the grants programme. These are available to small and medium sized enterprises (SMEs) and offer 30% of a total project cost provided the project is creating or safeguarding jobs. The 70% investment in the projects must come from the private sector. To date the Council / grant panel has awarded:

- 79 grants
- Totalling £1,132,846,30
- Creating 295 jobs (against a target of 192)
- Safeguarding 330 jobs (against a target of 363)

4.3 There has been a good level of demand for the grants and the pipeline is such that further applications are not being taken.

4.4 The Innovation Vouchers are being delivered by the University of Essex and Anglia Ruskin University. These allow SMEs to access the expertise, capacity and resources of the Universities. Demand for these vouchers hasn't been as high as expected with 6 having been awarded to date. In many cases the vouchers are being used to place an intern in a company for 12 weeks to add capacity to the business in order that they can tackle a specific project with a view to expanding the business. Underspent innovation voucher funding is being reallocated back into the grants programme where there is additional demand.

4.5 The calendar of workshops and events is being delivered on our behalf by Essex Chambers of Commerce. Almost 800 people have already joined these events and there are several still to run. The workshops cover issues relating to business start up and sustainability to provide resilience in the critical first few years for new enterprises.

5.0 Business Southend Growth Hub

5.1 Driven and monitored by the Department for Business, Innovation and Skills (BIS) Growth Hubs are to be the way that all business support, whether delivered by the public or private sector, is promoted to businesses, regardless of size or sector. Government plans for each Local Enterprise Partnership (LEP) area to be covered by a single Growth Hub which will function as a 'one stop shop' for business support and information.

- 5.2 The Council committed to set up its growth hub in Southend, roll it out across South Essex and then use the learning and best practice to help inform a pan LEP approach to Growth Hubs from 2015/16. The Growth Hub, Business Southend, entails a website and a team of business navigators who undertake face to face engagement with businesses. The shape and approach to the Growth Hub has been developed in partnership with the local business community and is overseen by the existing Southend Business Partnership Executive which has been extended to encompass national partners - UK Trade and Investment (UKTI), Manufacturing Advisory Service (MAS), Growth Accelerator (GA) and InnovateUK (Previously Technology Strategy Board). Feedback from Whitehall on the Growth Hub's approach and performance has been extremely positive to date and Southend has been recognised for its ability to deliver.
- 5.3 The Growth Hub website www.businesssouthend.co.uk was designed based on feedback from local businesses ensuring it is relevant and intuitive for their use. It has undergone a three phase roll out with the final phase, Supply Southend, being launched in September 2014. The website is a 'one stop shop' for business information and helps businesses, regardless of their size, sector or location, to find the support they are looking for, be that skills, professional support or funding. Supply Southend is a trading platform for businesses to encourage and reinforce local supply chains. For the three months between September and November 2014 the website saw:
- 1,755 users resulting in 8,556 page views.
 - 60% of users are new to the site while 40% are return visitors.
 - Of the new users 38% come direct to the website, 33% via organic searches, 22% from referrals and the rest from social media links.
 - The most frequently accessed pages are those relating to events, funding and accessing the business navigator team.
- 5.4 In the July 2014 Growth Deal announcement South East LEP (SELEP) was awarded £800,000 specifically for Growth Hub continuation and development in 2015/16. A pan LEP approach is proposed to be taken at a high level to meet BIS' aspiration for one Growth Hub per LEP and to drive economies of scale where possible. Local 'sub hubs' reflecting local business support available and opportunities will sit beneath this allowing each area to have its own area - recognising that businesses will usually prefer a local business offer to a more distant one. The learning and best practice gained from developing and delivering Business Southend over the last year will be used to inform the whole LEP approach and will form an integral part of the local aspect of the overall hub.
- 5.5 Locally it is proposed that Southend-on-Sea Borough Council takes the lead on a pan Essex, Southend and Thurrock Growth Hub building on the experience, contacts and expertise gained by the Growth Hub and Economic Development teams over the last year. This will drive economies of scale, offer opportunities for joint funding bids and offer a genuine 'one-stop-shop' for them without confusion as where they are located and therefore which hub they should

contact. This recognition of Southend's success in delivery is a positive boost to the investment made in SBC's economic development team.

6. Business Incubation Centre

- 6.1 The former Central Library has been refurbished to create a flexible business centre which will offer a combination of office/studio space and open hot-desking space. There is already a pipeline of interest from potential occupiers.
- 6.2 In parallel with this an experienced, professional operator for the centre has now been appointed subject to contract. Enterprise 4 Good (Community) Ltd will manage the centre on a day to day basis, driving up demand for the space, running relevant events and providing support to the occupants. Enterprise 4 Good's particular strengths lie in their understanding of this as a place shaping project. That the introduction of the business centre on Victoria Avenue isn't purely a numbers exercise but is about raising aspirations, meeting the needs of Southend's entrepreneurs, creating opportunities for growth and reaching out into the community to engage students and businesses, unemployed and employed alike. As a social enterprise they will look to reinvest in Southend with socio-economic impact as a priority.
- 6.3 Enterprise 4 Good (E4G) has given considerable thought and development to a brand and ethos for the hub based on this approach. Keen to integrate with its neighbours, the Beecroft Art Gallery, they propose to call the centre The Hive; a hub of activity with its own ecosystem as businesses grow together but also well connected with the outside world. E4G will base its whole operation out of the centre thereby creating the first of the jobs required by City Deal while setting the example for prospective centre users.
- 6.4 E4G is also committed to working alongside our Growth Hub team, integrating them into the offer of the centre, as well as the wider Economic Development function and supporting Council projects such as Better Start, stakeholder boards etc where appropriate. While the Growth Hub and the business centre are funded by separate pots of funding and will be delivered via different mechanisms going forward they are linked by City Deal outputs and reporting.
- 6.5 The business centre will be targeted at entrepreneurs, small businesses and as interim space for potential investors in the town. It will not be limited to businesses of any size or sector but will seek to particularly support the key sectors of Southend and among those specifically cultural and creative industries building on connections with the Beecroft Art Gallery and medical technologies developing a pipeline of demand for the MedTech Campus at the Airport Business Park.
- 6.6 The City Deal funding was awarded on the basis that the centre would deliver a minimum of 9 offices, create 110 jobs over 10 years and would improve business sustainability through offering a supportive environment. The centre will start with a minimum of 9 offices and the operator will be required to track and monitor job creation outputs.
- 6.7 Refurbishment works concluded in February. A soft opening of the centre is planned in April and a formal opening in May with some centre users in place.

6.8 A Cabinet Office stock-take took place on 3 March and we have been congratulated on our progress. Successful delivery in Southend-on-Sea now paves the way to extending our relationship through this City Deal and maximising further opportunities it presents as we progress other regeneration priorities.

7. Corporate Implications

7.1 Contribution to Council's Vision & Corporate Priorities

7.1.1 This is an economic development project conditional on and motivated by enabling sustainable economic growth through provision of low cost business space and relevant business support.

7.2 Financial Implications

7.2.1 The spend associated with this activity is all within profiled budget. £651,000 was awarded to the Council as part of City Deal and will be defrayed in 2014/15 financial year. This funding is match funded by the £685,000 already spent on the refurbishment of the basement, ground and first floors to create space for the Beecroft Gallery. The Regional Growth Fund money requires private sector investment which is being generated through the match funding for the grants.

7.3 Legal Implications

7.3.1 All grant recipients are required to sign a grant offer letter which commits them to the terms and conditions of the grant offer. Where terms of the grant offer letter are not met the grant may be withdrawn. All delivery partners have signed and deliver under SLAs.

7.3.2 Terms for operation of the business centre will be agreed with the operator reflecting both the lease of the premises and outputs required. These will ensure that all centre users take on space outside the 1954 Landlords and Tenant Act so will have no right of tenure.

7.4 People Implications

7.4.1 Subject to final agreement of an operating model by the LEP it is intended that the existing team of three members of staff, funded by the Regional Growth Fund, will be retained and will operate the Growth Hub across South Essex.

7.5 Property Implications

7.5.1 The top floors of the old Central Library have been converted into a business incubation centre and will be managed as such by Enterprise for Good under a lease arrangement. The Council will retain the freehold for the building.

7.6 Consultation

7.6.1 The development of the Growth Hub was done in consultation with the local business community via the Southend Business Partnership. At the Partnership briefing in March 2014 concept designs for the Growth Hub website were shared with businesses for comment and used to shape the look, feel and usability of the site. Following that the Business Partnership Executive Group has overseen the development and delivery of the Growth Hub providing feedback at every stage. This includes the Essex Chambers of Commerce, Federation of Small Businesses, education providers and local business representatives. The grants panel which considers applications for the RGF money was derived from the Executive Group.

7.7 Equalities and Diversity Implications

7.7.1 The business centre will have a full equalities impact assessment completed

7.8 Risk Assessment

7.8.1 Failure to deliver a viable business centre and the RGF programme carry a reputational risk for Southend with Whitehall as well as a risk that local businesses will not benefit from the help available which may affect viability and growth potential.

7.8.2 Part or all of the RGF money may be clawed back if the outputs aren't met or any the terms and conditions of the grant included in the beneficiary offer letter are breached. These are monitored on a quarterly basis by Lancaster University.

7.8.3 The City Deal funding for the Business Incubation Centre does not carry a claw back clause.

7.9 Value for Money

7.9.1 There are no value for money impacts as a result of this report with regards to Council expenditure.

7.9.2 The project as a whole offers excellent value for money creating or safeguarding 654 jobs for less than £3m public investment. This equates to a cost per job of £4,500, significantly below the oft used benchmark of £10,000 per job.

7.9.3 The RGF funding requires 80% of it to lever private sector match across the three elements. The programme offers relatively low cost high impact support to local businesses and seeks to ensure this is sustainable through not only financial support but also skills, training and development. In multiple cases where grant funding is sought the investment by the company significantly outstrips the 2:1 leverage required while also creating and/or safeguarding jobs through business growth which offers significant value for money.

7.9.4 The Business Incubation Centre will offer businesses affordable business space among a community of entrepreneurs and small businesses, and supported by a range of on-site business support. This package of measures will assist the businesses to establish themselves and grow in terms of turnover and employment making them more sustainable before they move on to premises costed at market rates.

7.10 Community Safety Implications

7.10.1 There are no community safety implications as a result of this report.

7.11 Environmental Impact

7.11.1 There are no environmental impacts as a result of this report.

8. Background Papers

8.1 None.

9. Appendices

9.1 None.