



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

Agenda Item No: 2.5

## Growth Works Performance Review

To:	Skills Committee
Meeting Date:	7 November 2022
Public report:	Yes
Lead Member:	Councillor Lucy Nethsingha, Lead Member for Skills and Chair of the Skills Committee
From:	Steve Clarke, Interim Associate Director Business
Key decision:	No
Recommendations:	<p>The Skills Committee is asked to:</p> <ul style="list-style-type: none"><li>a) Note the Growth Works Programme performance data for Q7 (01 July to 30 September 2022).</li><li>b) Note the outcomes and findings of the recent Programme review.</li><li>c) Recommend the Combined Authority approves the implementation of proposed six recommendations from the Programme review as outlined in section 8 of this report.</li></ul>
Voting arrangements:	<p>Recommendations a) and b) no vote required Recommendation c) a simple majority of those present and voting.</p>

## 1. Purpose

- 1.1 To note the Programme performance data for Quarter 7 (Yr2) covering the period July to September 2022.
- 1.2 To note the findings of the Programme review on overall performance to date, as undertaken by Gateley Economic Growth Service (GEG) and its private sector partners as directed by the Cambridgeshire & Peterborough Combined Authority (CPCA).
- 1.3 To consider the suggested recommendations proposed from the Programme review and to seek consensus from members on their implementation to address performance concerns and to sustain successful delivery of the Growth Works Programme.

## 2. Growth Works Programme – Performance Summary for Q7

- 2.1 Growth Works is a CPCA programme which is designed to support high growth / growing / scale up businesses and is managed by the Cambridgeshire and Peterborough Business Growth Company Limited (Growth Co) which is a subsidiary of the CPCA. Growth Co manages the Growth Works contract on behalf of the CPCA and the contract is led by GEG.
- 2.2 The Growth Works Programme Performance Report for Quarter 7 (Yr2) is attached as [Appendix 1](#) to this report and provides detailed analysis for each service line within the programme. The table below sets out a summary of performance outcomes for jobs and apprenticeships at programme level:

Service Line	Total Programme Target	Year 2 Target	Year 2 Actual (01-Jan to 30-Sep)	Programme Actual (15-Feb-2021 to 30-Sep-2022)
Coaching	3,223	1,454	934	1,073
Inward Investment	808	263	304	627
Skills: Apprenticeships	1,400	449	200	266
Grants & Equity	1,455	474	245	684
Totals	<b>6,886</b>	<b>2,640</b>	<b>1,683</b>	<b>2,650</b>

- 2.3 While the overall outturn against job forecasts remains ahead of the curve, with jobs committed being 15.8% ahead by Q7. There are however challenges that need addressing, particularly in the volume heavy service lines for Growth Coaching and Skills:
  - Macro-economic environment and market conditions are impacting the ability of volume heavy services to deliver the current required outcomes.
  - Performance improvement plans have not delivered the intended upturn in results the services had forecast.
  - Ongoing engagement with BEIS over the Growth Hub year-3 funding.

- 2.4 Customer satisfaction is measured on a quarterly basis using an independent survey company undertaking Net Promoter Score (NPS) surveying which is a widely accepted approach to gauging client and/or customer levels of satisfaction. The NPS is calculated by subtracting the number of detractors from the number of promoters. It can be expressed as a whole number or a percentage and range from +/-100. A positive NPS (above 0) is considered “good” an NPS of 50-69 is considered “excellent,” and anything 70 and above is considered “world-class.”
- 2.5 The Growth Works Net Promoter Score (NPS) for the Quarter 7 survey was 62% and is classed as ‘excellent’. Although it falls short of the 78% ‘world-class’ result of Quarter 6. It is comparable with Q4’s NPS of 68% and is still above Q5’s 56% NPS. With Growth Works contractors inviting more companies than in previous quarters to participate in the survey, there were 29 responses out of 124 companies which gives a 23% Quarter 7 survey response rate. Response rates for the earlier quarters were Quarter 6: 53%, Quarter 5: 50% and Quarter 4: 44. There were 21 promoters surveyed scoring 9 or 10 out of 10 which is a good achievement. A copy of the NPS Survey is attached as [Appendix 2](#) to this report.
- 2.6 Furthermore, data led views and projections of performance concludes that continuing to deliver the service as currently structured will not create the desired level of outcomes CPCA hoped for when designing the Business Growth Service (Growth Works Programme). A full breakdown of performance by service line is attached as [Appendix 3](#) to this report.

### 3. Service Line Performance & Impact

#### **Skills Service Update**

- 3.1 At the end of Q7, the Skills Service has not reported the performance level expected. Growth Works with Skills (GWwS) are behind target with all of the leading indicators.
- 3.2 The current preferred Key Account Management (KAM) approach in this service line has so far not yielded the hoped-for results in these metrics. A different approach is now being taken, A broad engagement campaign targeting 32,000+ business decision makers (honed to district areas and by sector) has been undertaken. In addition, the GWwS have started building relationships with economic Development teams in all local authorities and are engaging with the local colleges. This engagement has been too slow. Critical to the success of the skills offer is the service playing an active role in the skills system across Cambridgeshire & Peterborough.
- 3.3 Feedback from the market is that access to talent and the right skills is a leading barrier to growth identified by many businesses within the CPCA area, and insight from the programme confirms this. The performance of Growth Works with Skills is juxtaposed with what the market is telling us highlighting the need to reinvigorate the skills offer through a change of approach to the delivery of this service line.

#### **Growth Coaching Service Update**

- 3.4 At the end of Q7, the Growth Coaching Service had created 1,073 jobs, against an expected target of 1,189, but the trend line is currently downwards. Our prediction is that if Growth Works continue to deliver the Coaching Service as constituted, it will deliver 1,890-

1,900 jobs, c.59% of the 3,223 total jobs required at contract end. Taking the last six months figures – April 88; May 60; June 54.5; July 20.5; August 168; September 160 – if it were not for above trend numbers in August and September, then our prediction would be lower.

- 3.5 Equally, performance in the leading indicators (and trend in the performance) does not give us confidence that Coaching will deliver the jobs outcome, underpinning the prediction above. We predict that companies starting a Coaching Journey will finish the contract at c.78% (775-785) of the 1,005 contract target. Likewise, by contract end, companies completing a Coaching Journey will be c.38% (375-385) of the 1,005 contract target.
- 3.6 Feedback from the market is that businesses do not want to buy coaching support currently as it is not a priority for most businesses. This is reflected in the Growth Coaching service performance trends.

### **Inward Investment Service Update**

- 3.7 Despite the challenges the high-volume service lines have experienced in the current economic climate, the inward investment service line continues to substantially over-deliver on all metrics. At the end of Q7, 627 jobs have been created against an expected target of 261. It has built a pipeline of over 200 growing international companies and our prediction is that if Growth Works continue to deliver inward investment as constituted, it will deliver 1,100-1,110 jobs, c.137% of the revised 808 total at contract end. Taking the last six months figures, jobs confirmed between April and September are 286 which reflect the quality of the investments secured for CPCA.
- 3.8 Equally, performance in the leading indicators gives us confidence that inward investment will deliver substantially above the job outcomes, which supports our prediction. We also predict that 450-470 companies (against a 160 target) will be serviced in the pipeline and the required 40 project successes will be delivered by contract end.
- 3.9 According to the International Monetary Fund (IMF), Foreign Direct Investment (FDI) tends to be resilient during an economic crisis and allows the transfer of technology and capital input that is unable to be achieved through trade in goods and services. Inward FDI can enhance growth and innovation, create quality jobs, develop human capital, raise living standards and improve environmental sustainability (OECD 2021). The resilience of FDI in the current environment can be seen with the pipeline and delivery to date of the service.

### **Grants & Equity Service Update**

- 3.10 At the end of Q7, the Grants & Equity Service had created 684 jobs, against an expected target of 706. Our prediction is that if Growth Works continue to deliver these services as constituted, they will deliver 1,010-1,015 jobs, c.69% of the 1,455 total at contract end. The prediction is tempered by the dwindling SME CapEx Grants pot and the hiatus in the Equity Service line not starting during the first year of the programme. The Equity Service was redeployed, in late September 2022, via a Change Control Note (CCN) that transferred it from the initial sub-contractor directly to GEG.
- 3.11 Performance in the leading indicator (and trend data) leads us to predict that 77-82 SME CapEx Grant awards will be offered by contract end, c.143% of the 56 target. Enabled through the CCN, the new Equity Service has a defined metric to achieve by contract end that GEG are confident of achieving.

3.12 Feedback from the market and economic conditions demonstrates that preserving cash is a priority for businesses across the CPCA region. Insight from the programme proves the success of an access to capital offer that is not available commercially. Growth Works will continue to provide access to capital through the Equity Service. An equity-led offer will address market failures without draining business cashflow in the way commercial loans do.

## 7. Growth Works Programme Review

7.1 The purpose of the review is to provide members of the Cambridgeshire & Peterborough Business Growth Company, and the wider Combined Authority, with a detailed review of the Growth Works Programme to date. This review was prompted by concerns around leading indicators, the impact of wider macro economic aspects, and feedback from businesses. It forms a good reflection point against which to align with other reviews taking place within CPCA.

7.2 In line with the best principles of good governance, the review considered and evaluated several key elements including:

- The evaluation of the material changes in the macro and micro economic environments since programme inception and mobilisation.
- The evaluation of the performance of each service line since contract start, as well as the past six months when we expected a significant ramp up, and an objective data-driven review of each sub contractor's demonstrable ability to deliver against the existing and proposed outcomes.
- Re-evaluation of the original programme objectives and hypotheses against today's macro-economic environment to consider if any adjustments are required to maximise the benefits of Growth Works for workers, learners and business leaders across the third and final year of the programme.

7.3 Despite the programme being ahead of where it expected to be at this stage, September 2022, for overall jobs created metric there have been concerns expressed by the prime contractor, members of the Growth Co Board, Senior Responsible Officers (SROs) and Sub-Contractor Service Line Leads about the impacts of the macro-economic environment we are currently facing and the consequence this would have on the programme in the final months of year two and year three.

7.4 In the Monthly Contractual Report for September (end of Q7), whilst we see strong performance in Inward Investment and SME Capex Grants, we are also seeing declining performance across Growth Coaching and Skills. However, the trend we are seeing in performance does not lend itself to assuring stakeholders that these service lines can deliver the outcomes to which they are contracted. All service lines were required to deliver a significant increase in performance to meet the required sharp upturn in outputs during Q6 to Q8. To date, data from the Growth Coaching and Skills Service Line demonstrates this has not materialised.

7.5 Strong performance in the first 12 months of the contract created a surplus in most leading indicators, which has been eroded to the point of deficit across key metrics, particularly within the Growth Coaching and Skills Service Lines (including European Regional Development Fund (ERDF) and ESF metrics). Since our strong delivery in the first 12 months of the programme, market forces and economic uncertainty are now impacting the

desire of firms to expand and create jobs, over preserving cash reserves.

- 7.6 Furthermore, the Sub Contractor delivering the Growth Coaching service line set out in a draft Project Change Request (PCR) to DLUHC that “applicants did not favour coaching” but “require support for projects that more directly drive business growth”. Further insight gained on challenges being faced by business demonstrates that the need to “find the right new people” and the need for “growth finance” are the leading challenges identified.
- 7.7 The national macro-economic environment has seen significant changes recently and high inflation means the real cost of doing business has taken a severe upturn in recent months, rising to 2.1% from 0.8% in February 2021. In July 2022, inflation peaked at 10.1%, and currently sits at 9.9%.
- 7.8 In addition, bottlenecks in supply chains, which never recovered fully from the Covid-19 pandemic, and soaring energy prices are driving the abnormal inflation rates the UK is facing and will remain the top concerns for businesses. This coupled with the recent interest rate rises, has tightened business budgets further, increasing costs on debt and office space. Business leaders and consumers alike will feel their budgets increasingly squeezed and as the UK moves towards an economic slowdown companies will move away from non-essential costs to sustain operations.
- 7.9 The weakening of the pound will only exacerbate the current issues the country face as prices of imports grow, so too will business costs, tightening budgets further. Despite this, a favourable exchange rate does create an attractive environment for inward investors looking to expand internationally and move capital across borders, with evidence of this beginning to be seen in the make-up of the Inward Investment Service pipeline.
- 7.10 These domestic challenges and economic conditions are similarly reflected across the CPCA region. Most businesses in the region forecast a rise in capital expenditure. This creates a fertile environment for demand for CapEx and equity investment (both domestic and international). This allows the CPCA to be the catalyst for capital investment and growth despite uncertainty.
- 7.11 In summary, the impact of inflationary pressures, incomplete Covid-19 recovery (and the detrimental impact on supply chains of the pandemic), the war in Ukraine raising the costs of inputs such as fuel and other related costs, interest rate and wage rises, have all contributed to businesses struggling with controlling costs in the face of increasing uncertainty. Businesses are focused on cash retention and cost control. This will create a material shift in the needs and focus of businesses across the CPCA region, affecting their expansion, investment and resultant resource requirements. It is incumbent on GEG, as prime contractor, to ensure that the objectives and approach of the Growth Works Programme is best aligned to the significant challenges being faced by local businesses.

## 8. Growth Works Programme - Change Recommendations

- 8.1 Based on the evidence set out in this paper and the forecast contractual outcomes, modelled on performance trends, there are five proposed recommendations to ensure Growth Works’ offering is realigned to current market conditions and reflects insight gained from businesses.
- 8.2 The central tenet in our recommendations is the realignment of outcome targets based on

market conditions and the reallocation of programme funds to services that are proven to deliver. The six recommendations are as follows:

- Increasing the jobs to be created from the £3,000,000 ERDF-funded grant programme from 400 to 1,240 building on performance to date and leveraging the ongoing PCR.
- The Growth Coaching Service would be reduced to ensure it can still service existing clients delivering an additional 707 jobs on top of the 710 (ex-ERDF) created to date. The revised total target of the Growth Coaching Service is 1,417 (ex-ERDF). This reduction in service reflects the lack of market demand while ensuring continuity for existing clients.
- Reallocating £500,000 of the contracted Funding and in parallel 454 jobs output target from the Growth Coaching service line to the Inward Investment service line, to give a new total of 1,262 across the contract attributed to Inward Investment.
- An overall reduction of 10% in the jobs created target due to the impacts of external macro-economic factors and their impacts on the UK economy. The new jobs created target for Growth Works would be 4,937 compared to an initial target of 5,486.
- Growth Works with Skills have not been able to put into delivery their operating and service model which tried to change the design and approach to a skills brokerage model. GWwS must change both their strategic and operational approach at pace to reverse the downward performance trajectory. Engagement, visibility and credibility in the Combined Authority must increase significantly. have been pursuing a Key Account Management model throughout the programme to-date and while this has had some impact, performance data shows it lacks the immediacy and sustained business engagement required to deliver the volume of outputs required within the duration of this contract. We recommend the service pivot from focusing on longer term culture change to medium term deliverables to deliver the required learning outcomes, apprenticeship starts and ESF Key Performance Indicators (KPI's), this will require both strategic and operational changes at pace in this service line.
- Insight from business engaged by Growth Works is that the struggle they face filling vacancies has intensified over the past two years. This is supported by the region's unemployment rate (3.4%) being lower than the national rate and has resulted in the number of unemployed people per job vacancy across the region falling to 1 (the lowest since records began in 2001). The review suggests for better and more realistic alignment of Growth Works for Skills with the emergent needs of businesses on patch.

- 8.3 A summary of the overall impact on the job outcomes for year three of the programme is attached as [Appendix 4](#) to this report.
- 8.4 Taking immediate action will ensure Growth Works will successfully deliver its outcomes during the current economic climate and will remain aligned to the priorities of the Combined Authority and the businesses in the region. If these recommendations are accepted, the programme will be able to deliver the required 4,937 jobs over the remainder of the contract.
- 8.5 The most significant reallocation of funds is from Growth Coaching to Inward Investment Service. This proposal is centered not only on the pipeline and performance of the Inward

Investment Service, which has a proven ability to create jobs and weather volatile market conditions, but also on seizing opportunities presented by a weakened pound.

- 8.6 Furthermore, foreign firms are more responsive to business environment fluctuations given they tend to be diverse businesses already successful in their home market, and they tend to be substantial, lasting investments delivering the desired Gross Value Added (GVA) growth and economic resilience.
- 8.7 These recommendations are further enhanced by the limited market demand for the Growth Coaching Service as currently operating, and the proposal to increase the required outputs from the ERDF pot is in response to the initial hypothesis about firms using ERDF nudge grants to complete Growth Coaching journeys having been disproven by virtue of the sub-contractor's Project Change Request (PCR). The PCR request being for nudge grants to be used beyond coaching for any revenue generating activities and CapEx in support of business.
- 8.8 In conclusion, these recommendations have been produced to reflect the ability of each sub-contractor to deliver, within existing resources and using current budgets to ensure the strongest possible performance in the third and final year of the programme. They also look to build on our proven strengths and the evident needs of businesses while mitigating current performance risks and challenges.

## Significant Implications

### 9. Financial Implications

- 9.1 There are no direct financial implications in the progress report as the recommended changes to the Programme are within approved budget levels.

### 10. Legal Implications

- 10.1 The suggested recommendations are to be proposed to the Combined Authority Board by the Skills Committee and being presented to the Business Board for note. The Growth Co Directors have approved all six recommendations from the Programme Review being proposed in this paper and after the Combined Authority Board provides its approval a Contract Change Notice (CCN) will be signed between Growth Co and the Growth Works contractor to action contractual changes.

Any changes to the existing Grant Funding Agreements for ESF and ERDF between Combined Authority and the Funding bodies (DLUHC and DWP) would be subject to approval of the proposed Project Change Requests to those funding bodies.

### 11. Public Health implications

- 11.1 No public health implications.

### 12. Environmental and Climate Change Implications

- 12.1 No environmental or climate change implications.



## 13. Other Significant Implications

13.1 None.

## 14. Appendices

14.1 Appendix 1 – Growth Works Programme Performance Report for Quarter 7.

14.2 Appendix 2 – Growth Works Net Promoter Score (NPS) for Quarter 7 Survey.

14.3 Appendix 3 - Growth Works Programme – Breakdown of Performance by Service Line.

14.4 Appendix 4 – Growth Works Programme – Summary of Review Recommendations.

## 15. Background Papers

15.1 None.