



BUSINESS BOARD	AGENDA ITEM No: 2.4
DATE 27 JANUARY 2020	PUBLIC REPORT

HIGH GROWTH SMALL AND MEDIUM-SIZED ENTERPRISES OBSERVATORY

1.0 PURPOSE

1.1. This report details proposals to establish an Observatory function, which will monitor the local business environment, for the new Business Growth Service to help identify high growth SMEs who will be our target clients

<u>DECISION REQUIRED</u>	
Lead Member:	Austen Adams, Interim Chair of Business Board
Lead Officer:	John T Hill Director Business & Skills
Forward Plan Ref: n/a	Key Decision: No
The Business Board is invited to recommend the Combined Authority Board to: (a) Note and approve the proposals to create the Observatory which will act as a Research, Analytical and Market Intelligence function to identify the Combined Authority's target clients at a total cost of £80,000 subject to the following: (b) Approve the reprofiling of £80,000 from the 19-20 LEP Capacity Funding budget to cover the costs of the High Growth SME Observatory in 2020/21 and 2021/22.	

2.0 BACKGROUND

2.1. At its meeting on 25 November 2020 the Business Board considered a report on the Local Industrial Strategy Delivery Plan and the Business Growth Service and recommended to the Combined Authority Board the establishment of a Growth Service Management Company. That recommendation was accepted by the Combined Authority Board at its meeting on 27 November 2019. The Outline Business Case for the new Business Growth Service sets out stretching

targets for each of its services in order that the ambitions laid out in the Local Industrial Strategy are achieved.

- 2.2. In preparation for this, it is important to have clear qualifying criteria for the High-Growth SMEs whom the Business Growth Service will be targeting which, in turn, will help us identify and proactively engage with these target clients.
- 2.3. There is a wide range of information available defining “High Growth SME’s” and detailing their characteristics. However, this information can be confusing and often too generic.
- 2.4. Therefore, it is proposed to establish the Business Board’s own criteria and characteristics for defining a “High-Growth SMEs” for the region, based on our priority sectors, sub-economies and our various activities under the Business Growth Service

3.0 WORKSTREAMS AND OUTCOMES

3.1 It is proposed that the work will be undertaken by one full-time analyst who will act as a dedicated Research, Analytical and Market Intelligence function for the Business Growth Service.

3.2 The initial primary focus will be to focus on mapping the client profiles for the new Growth Coaching Service, where the scope of work will include:

- (a) Building a framework of qualifying criteria across our key sectors and sub-economies which helps us assess an SME’s potential for “High-Growth” and suitability for the Growth Coaching Service.
- (b) Developing a list of “trigger events” which promotes an SME for qualification for the Growth Coaching Service. These can be positive events such as a new round of funding being secured. Conversely, a new barrier to their growth being anticipated could also warrant our Growth Coaching Service.
- (c) Building target lists of high priority clients, with the highest levels of growth potential, who will be proactively engaged so their growth potential can be harnessed as quickly as possible.
- (d) Creating and maintaining Client Briefing Packs on these target companies to assist Growth Service Managers in relationship-planning and account management strategies.
- (e) Develop secondary lists of clients that should be monitored on an ongoing basis, for possible inclusion on the future target lists for the Growth Coaching Service (i.e. ones-to-watch)

- 3.3 We would also task the Observatory with mini-projects to assist in the identification of target companies for other services under the Business Growth Services umbrella such as Inward Investment and STAR Hub services.

4.0 DATA SOURCES

- 4.1 To create the framework of criteria for high-growth SMEs in the Combined Authority, the observatory will collate and rationalise data from various sources:

- (a) The Combined Authority's own historic stock of information from various sources including the Department for International Trade the Scale-Up Institute, The Association For Technology Implementation in Europe, Nesta and former HMG funded Growth Accelerators.
- (b) Collation of published Academic Papers covering typical characteristics of high growth SMEs
- (c) Potential participation during Q3 2020 in BEIS/HMG's Pilot to identify and track potential high growth companies in our region through a combination of datasets including Financial Performance and HMRC Data.
- (d) Bespoke Reports identifying High Growth SMEs from specialist Data Providers such as Beauhurst and FAME. Our Growth Hub is already subscribing to these services.

5.0 FUNDING

- 5.1 We wish to set aside an annual Budget for running costs of the Observatory for two years at £40,000 per annum which will be funded by the Strengthening LEPs Budget Line.

6.0. BENEFITS FOR THE BUSINESS GROWTH SERVICE

- 6.1. This Observatory will work in close collaboration with, and support, the Business Growth Service by acting as a dedicated Research, Analytical and Market Intelligence function.
- 6.2. The Business Growth Service will be guided fully on the criteria and characteristics of their target client market.
- 6.3. In addition, lists of suggested target clients for the key services under the Business Growth Service will be provided by the Observatory, along with briefings on these clients.

- 6.4. This support will enable the Business Growth Service to utilise all its resource on proactive client-facing engagement at the earliest opportunity and start building the strong broker-client relationships required for these engagements to be succeed fully.
- 6.5. Ultimately, the Observatory will equip the Business Growth Service to deliver the Business and Economic growth set out in our Local Industrial Strategy by realising the growth potential and ambitions of these highly valuable businesses.

SIGNIFICANT IMPLICATIONS

7.0 FINANCIAL IMPLICATIONS

- 7.1. This decision would carry forward £80,000 of revenue funding from the 2019-20 budget to be split across 2020-21 and 2021-22.
- 7.2. The LEP Capacity Fund budget is funded by a grant ringfenced for use on expenditure related to the Business Board, as such the presumed underspend, were this not approved, could not be reallocated outside of the Business and Skills Budgets.

8.0 LEGAL IMPLICATIONS

There are no direct legal implications.

9.0 IMPLICATIONS FOR NATURE

- 9.1 None.

10.0 OTHER SIGNIFICANT IMPLICATIONS

- 10.1 None.

11.0 APPENDICES

<u>Background Papers</u>	<u>Location</u>
None	N/A