



SUCCESS - RGF funded support for the creative sector in coastal SELEP areas

Purpose:

The purpose of this paper is to:

1. report on the outcomes of the RGF funded grant scheme targeting creative sector growth in three areas of the coastal South East LEP area, and to seek support for an extension of the scheme via the use of South East LEP funding.

Recommendations:

The Board is asked:

To **ENDORSE** that:

- 1) the SE LEP Coastal Communities Group support a proposal for South East LEP investment in a continuation of the SUCCESS programme;
- 2) the geographic coverage be extended to include other primary coastal conurbations within the South East LEP area;
- 3) and that the scheme be expanded to include grant support for cultural enterprises that will make a meaningful contribution to a growth in the visitor economy of the coastal conurbations.

Supporting Detail:

Background

Work undertaken by Sheffield Hallam University's Centre for Regional Economic and Social Research unit in the early part of 2012 resulted in a report to the South East LEP by Prof. Steve Fothergill that summarised the economic position of the coastal strip compared to other parts of the LEP area and nationally. The report contained ten recommendations for strategic approaches and priorities the South East LEP could take to support improved economic performance within the coastal areas. One of these recommendations was: "There is a good case for a bid into the Regional Growth Fund to support seaside tourism."

Through the actions of the coastal thematic group, three local authorities – Hastings, Tendring and Thanet – collaborated on a joint Regional Growth Fund (RGF) bid geared to supporting business start-up and growth in the creative and tourism-related sectors. The bid was largely successful, in that £2.2m RGF was allocated for creative sector grant support. However, funding for tourism-related businesses (eg high end visitor accommodation), was ruled out on the government's assumption that public sector support for these would result in displacement, rather than stimulating new or additional economic output. Funding to support creative hubs (public and private) was also ruled out.

The SUCCESS (Southeast Urban Coast Creative Enterprise Support Scheme) grants programme commenced in December 2013 and closed for new applications in December 2014. Under the scheme, eligible enterprises were able to apply for a grant of anywhere between £3k - £150k to support their start-up or expansion plans. Chief targets under the scheme have been the creation and/or safeguarding of 318 jobs and private investment of £7,598,000 over a three year period. The size of grant allocated for any individual enterprise has been tied directly to the contribution that the enterprise will make to these overall targets.

Hastings Borough Council is the accountable body for the scheme, and all three local authorities committed resources to promoting and supporting the scheme's roll-out in their respective areas. It was promoted through a dedicated website and by all three councils via advertising, word of mouth, events and creative networks.

An independent panel was established to assess applications and make grant decisions, and comprised representatives from the three localities, industry experts and organisations working in or with the creative sector.

After a slow start, the scheme started to build momentum half-way through last year. In September 2014 the scheme was extended to existing businesses in Canterbury, Colchester, Dover and Rother (by request of BIS/DCLG). By the time the scheme closed to new entrants, a total of 469 creative entrepreneurs/businesses had registered on the SUCCESS website.

Programme achievements

The applications for grant assistance far exceeded the funding available. Based on the evidence to date, all job creation/safeguarding and private investment targets will be more than met. To date (February 2015), the confirmed private investment is £5,612,942, exceeding the scheme target for 2014/15, and with extra anticipated investment up to the end of the programme lifetime (to December 2018), it is likely the grants awarded will have stimulated private investment of at least £7,598,000. After the last Investment Panel meeting, 51 enterprises have been supported. The vast majority of the businesses supported are new enterprises. Over 428 FTE jobs within the creative sector will be created or safeguarded. The current ratio of £5,179 grant for every FTE job is well

below the scheme's target of £7,000 per job, and represents very good value for money in RGF terms.

These figures do not include additional numbers of freelancers who will gain significant work from the enterprises that have been supported by SUCCESS. Nor do they include the additional private investment that will come on the back of the growth of some of the supported businesses, or the spin-off benefits for other businesses within the region.

The following are four illustrative examples of the added benefits to the sector and the wider economy:

Levitas Design Ltd – a start-up enterprise in Thanet – was provided with business support and a SUCCESS grant of £150k. The company was unable to secure investment from traditional private funders. The grant enabled the company to commence business operations and to reach global markets at an early stage, resulting in rapid growth. The company is now engaged in negotiations with at least two international companies who have expressed investor interest, and a local manufacturing company is taking on additional employees to meet the demands of the Levitas orders.

A SUCCESS grant of £28k enabled a new venture, Doggie Apparel, to establish operations in Margate. The business now contracts with a range of local crafts people to supply products for their retail outlet, and provides work for eight local freelance designers and machinists in addition to the five full-time jobs within the company.

Dolphin Tensile Awnings Ltd in Harwich received a SUCCESS grant of £150k to expand into new marketplaces with its new range of customised and bespoke awnings. A minimum of 20 FTE jobs have been created as a result. The company meets all their staff requirements from the Job Centre and other local sources, and works with the probation service to rehabilitate young offenders. Training is provided for all staff and some are financially supported to attend their local college and gain additional qualifications. This business is an international flagship for the area.

Immersive Albums in Hastings received a grant of £115k to start their business involving the design and development of interactive music and film content. In a very short time they developed ties with Universal Studios and have attracted the interest of global investors. The presence of this new, innovative and rapidly growing company will raise the profile of Hastings within this international industry, and they are already providing work for a number of freelancers in the wider community.

The number of freelancers gaining work from SUCCESS supported businesses is wide-ranging. For example, H&Q Design in Broadstairs is currently working with 16 self-employed designers. Another supported enterprise, Movie Squad in Margate, will be using between 10-20 freelance actors and artists for various film projects. Hantverk & Found in Margate have contracted with at least 12 self-

employed artists and model-makers, and Coastal Publishing in Broadstairs use as many as 40-50 freelance journalists, illustrators and contributors for every publication.

It is significant that every successful application has been required to evidence that the funding needed cannot be raised from other sources. The majority of the successful applicants have been start-up enterprises that could not have commenced operations without the grant (and the associated business support) provided through the SUCCESS scheme. Some of the beneficiaries of a SUCCESS grant have strong potential for very substantial growth at a national and international level, and the vast majority of beneficiaries will provide long-term jobs and career opportunities within their companies and across their supply chain.

Lessons learned and unmet need

There are lessons to be learned from the SUCCESS experience. It became evident early on that many creative entrepreneurs lack basic business skills and required substantive support in undertaking a realistic analysis of their business' potential and in developing robust business plans. Traditional forms of business support were considered by many of the creative entrepreneurs coming through SUCCESS to be unaffordable or insufficiently responsive to their particular needs. Under the SUCCESS scheme, business support was primarily provided by the three councils' existing resources.

SUCCESS provided the only means of funding for all of the enterprises, either because they were considered to be too risky for mainstream financing or because the cost of this would tip the business over the edge of financial viability, particularly in the early phase of operations. The outcomes of the SUCCESS programme demonstrate the value of this type of support in stimulating growth within the creative sector.

The types of jobs created and safeguarded as a result of SUCCESS support are varied. Many will enable people to gain transferable skills, others offer career opportunities, and some are very specialised. Applications came from enterprises across a variety of subsectors, ranging from design services, software development and galleries, to music, visual and performing arts, film and animation.

The scheme provided opportunities for developing mutually advantageous links between SUCCESS funded enterprises. For example, Levitas Design and Sonic Concepts (both in Thanet) are now working on a speaker system to be fitted in the latest concept bed. Doggie Apparel is linking with the Hantverk Gallery on design products. H&Q Design (Fabrics and Textiles, Broadstairs) is working with Louise Body (Wallpaper/Prints) in Hastings on entering new markets. Immersive Albums in Hastings is liaising with the University of Brighton to take on graduates in software design.

It would be worth considering how any future scheme might link enterprises to employee training providers and apprenticeships, sector support networks, and business support that is responsive to the needs of the creative sector.

The scheme was closed early because of heavy over-subscription, and there were 89 applications still in the pipeline. Many more enterprises had not reached the stage of submitting applications.

The programme had a very short time-frame and was modest in terms of geographic coverage, funding and resources available for promotion and business support. In spite of this, the scheme has been highly successful, and demonstrates value for money and a good return on investment of public funds. It presents a strong case for continued investment in the creative sector within the South East LEP area, and particularly for its continuation in the areas covered by SUCCESS, given the momentum that has been built.

It takes time and resources to establish the infrastructure required to effectively administer and manage programmes of this nature. However, the SUCCESS programme provides an existing mechanism that could be used for future similar programmes. An effective working partnership exists between Hastings, Tendring and Thanet, with the potential for further reach to surrounding areas. Centralised online resources and effective systems for application processing and programme administration are in place. The cost of the delivery and management of the SUCCESS scheme represents just 5% of the RGF grant disbursed, although it should be noted that this did not include the cost of the business support services that were required or some of the marketing costs.

The South East LEP's Strategic Economic Plan identifies the creative and cultural sectors as having high growth potential. The SUCCESS programme provides a model that evidences good value for money and return on investment, new employment and growth within a priority sector, and spin-off benefits to the wider economy.

SUCCESS is one of a very few number of genuinely cross-LEP initiatives, and has already generated a momentum that warrants further investment.