

## SURREY COUNTY COUNCIL

## CABINET

DATE: 25 JUNE 2024



REPORT OF CABINET MEMBER: MATT FURNISS, CABINET MEMBER FOR HIGHWAYS, TRANSPORT, AND ECONOMIC GROWTH

LEAD OFFICER: DAWN REDPATH, DIRECTOR FOR ECONOMY AND GROWTH

SUBJECT: APPROVAL TO PROCEED: MADE SMARTER ADOPTION PROGRAMME

ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT

<b>Purpose of the Report:</b>
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The Made Smarter Adoption business support programme overseen by the Department for Business and Trade (DBT) supports manufacturing small and medium-sized enterprises (SMEs) through the provision of impartial advice and guidance from digital technology specialists, leadership development programmes, and match-funded grants up to £20K for the adoption of new technologies.

Surrey County Council is seeking to serve as the accountable body for the South East region through a Section 31 agreement with DBT. Taking this leading role for the Made Smarter Adoption programme will help Surrey County Council meet the *Growing a Sustainable Economy* priority objective, supporting local innovation and improvements in productivity and growth for manufacturing SMEs. This is a regional programme and the Council's leadership role in the scheme will serve to facilitate and coordinate delivery across the whole of the South East region.

<b>Recommendations:</b>
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It is recommended that Cabinet:

1. Notes the benefits and opportunities that this business support programme will bring to Surrey-based businesses and the manufacturing sector across the South East region.
2. Approves the Council taking on the Accountable Body role for this regional programme, should the Council be successful in its bid to the Department for Business and Trade.
3. Endorses the proposed approach to partnership working, collaboration, and co-design with other regional partners.

4. Gives 'Approval to Procure' for the commissioning of the Made Smarter Programme up to the value of £1.3m for financial year 2025-26, should the Council be successful in its bid to the Department for Business and Trade.
5. Approves the delegation of the appropriate procurement route to market and any contract award decisions to the Executive Director with responsibility for Economic Growth in consultation with the Cabinet Member for Highways, Transport and Economic Growth.

#### **Reason for Recommendations:**

In order to roll out the programme to the South East region, the Department for Business and Trade requires a local authority to take on the role of Accountable Body. The Council's proposal would secure the roll-out from April 2025 and ensure Surrey-based manufacturing SMEs can access the scheme. This also presents a key opportunity for the Council to demonstrate a leadership role within the region and will help establish and nurture an important strategic partnership with DBT for future opportunities.

#### **Executive Summary:**

##### **Background**

1. The Made Smarter programme<sup>1</sup> overseen by the Department for Business and Trade (DBT) was created following an industry-led review commissioned by government into how UK manufacturing industries can prosper through digital tools and innovation. The Review made four recommendations:
  - a. Leadership – More ambitious, informed, and focused leadership for digitalisation.
  - b. Adoption – More widespread adoption of technology across supply chains.
  - c. Innovation – Faster innovation and creation of new tech, new companies and value-streams.
  - d. Skills – Upskilling workforces and identifying future skills.
2. The Adoption programme has been developed in response to the second recommendation and is designed to support manufacturing SMEs through the provision of impartial advice and guidance from digital technology specialists, leadership development programmes, and match-funded grants of up to £20K for the adoption of new technologies.
3. The programme has already been in progress across northern regions since 2019. DBT are now seeking to expand the programme to the South East region from April 2025, and require a lead local authority to take on the role of Accountable Body. It is backed by an approximate allocation of £1.3m to

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<sup>1</sup> 'Made Smarter', UK Government, <<https://www.madesmarter.uk/>>

target 0.5% of manufacturing small and medium-sized enterprises (SMEs) in the region (equivalent to 94 SMEs).

4. The Made Smarter Adoption programme is well aligned to the Council's economic growth priorities linked to productivity and innovation as set out in *Surrey's Economic Future*<sup>2</sup> and will be an important way to practically support Surrey-based manufacturing businesses adopt new technologies and transform their operations. It is expected the delivery of the programme will fully align and complement the existing offer through Business Surrey, bringing added value and be complementary to enhance the council's business support offer.
5. The Council's economic evidence base indicates that there is robust demand for this type of business support across Surrey. The county is home to approximately 20% of the South East region's 18,000 manufacturing businesses. Notably, Surrey ranks 8<sup>th</sup> in terms of the number of manufacturing businesses and 14<sup>th</sup> in Gross Value Added (GVA) contribution from the sector in England. This highlights that there is the scale of businesses that could access the support, as well as the opportunity for gains from the GVA contribution these businesses make through productivity improvements that the programme would support.
6. The manufacturing capabilities and strengths in the region remain somewhat unknown in the national manufacturing profile, and the programme will bring about a key opportunity for Surrey and other counties and partners across the South East to promote and showcase the importance and relevance of this sector.

### **The role of Accountable Body**

7. It is proposed that the Council serves as the Accountable Body for the region through a Section 31 agreement with DBT. A Section 31 agreement would be structured around a standard agreement and featuring monthly grant payments against profiled expenditure. The current understanding is that there is no requirement for upfront financial investment to get the programme operational and the monthly payments will be done in advance, but there is a possibility that DBT request grant payments to be issued to the Council one month in arrears.
8. The Council would convene all partners across the region to co-design, co-create and co-deliver a successful regional programme, administering all the funding, resourcing, and monitoring.
9. Once the delivery is agreed and the agreement is in place and funding forthcoming, the Council as accountable body will be responsible for procuring

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<sup>2</sup> 'Surrey's Economic Future, Forward to 2030: Our Economic Strategy Statement' (2020), Surrey County Council, <[https://www.businesssurrey.co.uk/wp-content/uploads/2024/03/Surreys\\_Economic\\_Future.pdf](https://www.businesssurrey.co.uk/wp-content/uploads/2024/03/Surreys_Economic_Future.pdf)>

any services that might be required to deliver the programme. This will be dependent on the co-design activity that will take place with partners but could include for example, the procurement of specialist advisors on digital technology and manufacturing processes, event delivery and management, evaluation services, or even a 'triage' operational function to determine business eligibility.

10. The Council will regularly report back to DBT to provide updates on progress and delivery against agreed outcomes and metrics, such as the numbers of SMEs supported, or breakdowns on the type of support delivered.
11. As accountable body for the South East, the Council would become part of the Made Smarter “family” of regions and have access to a range of support from DBT, including:
  - a. A dedicated DBT lead to serve as a key contact point and enabler for the region,
  - b. Mentoring support from one of the other established Made Smarter regions,
  - c. Bids for future funding in the South East for Financial Year 2026/27-onwards in accordance with the next Spending Review.
  - d. Jointly monitor the programme effectively and undertake evaluation of the Made Smarter programme centrally through DBT.
12. As lead authority, the Council would act as a driving force to help reinforce and support the economic value of manufacturing SMEs across the region, making the case for larger investments from DBT into the area in future years.
13. Cabinet approval is being sought for the Council to take on this responsibility at this stage to provide assurances to DBT so that they can start the process to develop and agree the agreement.

### **Regional partnership working and collaboration**

14. Regional collaboration is a crucial element of the proposal and is an opportunity for the Council to demonstrate competence and capabilities to lead this type of regional partnership working.
15. The regional partners include: Hampshire County Council; West Sussex County Council; East Sussex County Council, Kent County Council; Brighton & Hove City Council; Berkshire LEP; Buckinghamshire LEP; Medway Council; Oxfordshire LEP; and Solent LEP (representing Isle of Wight Council, Portsmouth City Council and Southampton City Council).
16. Through informal conversations to set out the Council’s plans for delivery of the programme, it has secured the support from senior officers across these neighbouring authorities.

## Programme delivery

17. Following approval by Cabinet to proceed and agreement from DBT, the plan would be to convene partners in September 2024 to agree a vision, principles, and governance for the programme. The delivery model will be co-produced with regional partners and be agreed by the end of the year, along with the business case and contract with DBT. If required, additional resource for delivery will be secured (fully-funded by the programme) before the South East region Made Smarter Adoption programme launches in April 2025.
18. For Financial Year 2025/26, the programme is expected to support 94 SMEs across the South East. SMEs engaged in the programme will receive engagement and support from expert Made Smarter Advisers to support the adoption of new technologies into their manufacturing processes.
19. In addition to the advice and support, DBT will be expecting the programme to also support some of those manufacturing SMEs with leadership and management training, workforce development training, student placements, and even some grants for specific digital technology projects. The targets for numbers of businesses supported will be agreed with DBT and partners through the co-design process.
20. This programme would seamlessly integrate with Business Surrey, serving as an extension of the Growth Hub and existing business support services. Leveraging the established processes from our recent LEP transition journey, the programme would cover resource costs of delivery entirely once operational and can be easily incorporated into the existing structure.
21. Local stakeholders will be key in helping ensure the programme has maximum reach into the Surrey business community. For example, Surrey Chambers of Commerce have established the Surrey Manufacturing and Engineering Network, which would be a prime source of potential SMEs to engage with the programme. The team is also liaising with northern regions where the programme has been running for few years to secure introductions and support from national partners that will help support the delivery of the scheme – for example, connections to SMEs to showcase innovation in digital adoption of technologies or links with universities with access to tested training programmes.

### **Risk Management and Implications:**

22. It will be important to ensure that all partners are as supportive as possible of the approach for design and delivery of the programme. The Council's approach to convening, co-deign, and establishing principles at the outset will be crucial.

23. If the full funding allocation cannot be utilised in Financial Year 2025/26, then the Council may be required to re-assign funds elsewhere in the country or back to DBT. A robust approach to programme management and financial oversight will help the Council to ensure spending targets are being met, and/or identify parts of the region where uptake has been less strong and may require extra focus.

#### **Financial and Value for Money Implications:**

24. The programme will be funded entirely by grant funding received from DBT, at no additional cost to the Council.

25. The DBT grant value is expected to be in the region of £1.30m, and payments will be facilitated under a S31 agreement, featuring monthly grant payments against profiled expenditure.

26. The current understanding is that there is no requirement for upfront financial investment to get the programme operational. Monthly grant payments will be made from DBT to the Council linked to cashflow, covering all the expenses made by the programme during that month (including and not limited to programme management expenses, delivery expenses, grants issued to businesses, etc). The Council will be asking DBT to make those grant payments in advance at the beginning of each month. If advanced payments are not agreed, the alternative will be to defer to monthly payments in arrears.

27. The proportion of funding from the overall allocation to be assigned to grants to eligible companies is not yet known and dependent on company sign-up and eligibility. However, no financial contribution on this front will surpass the amount of funding made available from DBT and agreed with partners for this purpose.

#### **Section 151 Officer Commentary:**

28. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.

29. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 remains uncertain. With no clarity on central government

funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.

30. No financial contribution from the Council is being sought to deliver the programme, and the financial risk is minimal as the process operates under a facilitated S31 agreement, featuring monthly grant payments against profiled expenditure.

31. The recommendation is to only spend should funding be secured from the DBT and as such, the Section 151 Officer supports the recommendation.

#### **Legal Implications – Monitoring Officer:**

32. The report seeks authorisation from Cabinet to enter in an agreement with DBT for Made Smarter Adoption business support programme using a grant under section 31 of the Local Government Act 2003.

33. The council must ensure it is appropriately resourced to fulfil the role of an Accountable Body and carry out all relevant functions. In relation to recommendation 2 there should be clear terms of reference for each of the partners and robust governance arrangements in place to ensure that the Council is able to meet all its obligations as Accountable Body.

34. In procuring the services outlined in the report the Council must comply with the National legislation and the Council Procurement and Contract Standing Orders (PSCOs) and the Public Contracts Regulations 2015 (including any superseding legislation) (where appropriate).

#### **Equalities and Diversity:**

35. This scheme is targeted support to manufacturing SMEs looking to adopt new digital technologies in their manufacturing processes. No direct or indirect impacts on people or groups with protected characteristics have been identified, therefore an Equality Impact Assessment has been deemed not applicable.

#### **What Happens Next:**

36. The timescales for completion of actions are as follows:

- a. By end of September 2024, convene partners, agree principles and governance with partners and receive S31 from DBT
- b. By end of December 2024, co-design and agree delivery model with partners, and agree the agreement and delivery plan with DBT
- c. By end of March 2025, procure and identify service provision to secure the scheme, which will run for 12 months from 1<sup>st</sup> April 2025

37. It is proposed any future decisions required for the allocation of funds, delivery, and reporting, are delegated to the Executive Director with responsibility for Economic Growth in consultation with the Cabinet Member for Highways, Transport and Economic Growth.

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**Report Author:**

Patricia Huertas, Head of Economic Programmes and Localities,  
patricia.huertas@surreycc.gov.uk

**Consulted:**

Regional partners that have been consulted include: Hampshire County Council; West Sussex County Council; East Sussex County Council, Kent County Council; Brighton & Hove City Council; Berkshire LEP; Buckinghamshire LEP; Medway Council; Oxfordshire LEP; and Solent LEP (representing Isle of Wight Council, Portsmouth City Council and Southampton City Council).