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Sheffield City Region MAYORAL COMBINED AUTHORITY

Monday, 23 August 2021

To: Members of the MCA - Business Recovery and Growth Board and Appropriate Officers

You are hereby invited to a meeting of the Sheffield City Regional Mayoral Combined Authority to be held **virtually**, on: **Wednesday, 1 September 2021** at **9.00 am** for the purpose of transacting the business set out in the agenda.

Dr Dave Smith
Chief Executive

You can view the agenda and papers at www.sheffieldcityregion.org.uk or use a smart phone camera and scan the QR code

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Mayor Ros Jones CBE (Co-Chair)	Doncaster MBC
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Sharon Kemp	Rotherham MBC
Helen Kemp	MCA Executive Team

MCA - Business Recovery and Growth Board

Wednesday, 1 September 2021 at 9.00 am

Venue: Virtual Meeting

Agenda

Agenda Ref No	Subject	Lead	Page
7.1	Business Pipeline Criteria Development	H Kemp	5 - 18
Date of next meeting: Thursday, 28 October 2021 at 2.00 pm **At:**Virtual Meeting			

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Sheffield City Region MAYORAL COMBINED AUTHORITY

Business Recovery and Growth Board

01 September 2021

Business Pipeline Criteria Development

Is the paper exempt from the press and public?   No

Purpose of this report: Policy Decision

Funding Stream: Not applicable

Is this a Key Decision?   Yes

Has it been included on the Forward Plan?   Yes

Director Approving Submission of the Report:
Helen Kemp, Director of Business and Skills

Report Author(s):
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Executive Summary:
The purpose of this work was started in order to develop a methodology to qualify enquiries from both indigenous companies and new inward investors for possible funding support.

To manage the expectations of such companies so that they understand:
•   The criteria
•   The process and the timescale of the process
•   The funding options

To have a process that is consistent, transparent endorsed by the BRGB and the MCA and would stand up to review by audit or overview and scrutiny.

What does this mean for businesses, people and places in South Yorkshire?
Opportunities for significant growth programmes to be realised which create new jobs and supply chain opportunities for businesses within South Yorkshire

Recommendations:

It is recommended that the Board:
1. Approve the headline criteria that allows officers to engage with businesses as outlined in the paper;
2. Agree that officers will further develop metrics in relation to criteria 9 in line with the emerging SYMCA Inclusion Policy for approval at a future Board; and
3. Approve the MCA Executive Team to work with Local Authority colleagues to further develop the processes that should be adopted for referring clients with growth projects in the SYMCA.

Consideration by any other Board, Committee, Assurance or Advisory Panel
None

1. Background

1.1   The current business pipeline for projects for future funding has emerged from work led by the LEP Chair, some projects falling out of the previous Local Growth Funding/Business Investment Fund workstreams.
This work focuses purely on the large growth projects of indigenous businesses and inward investment and is one element of business support that the region will offer. Other parts of the business support agenda will be the subject of follow-on papers to the Business Recovery and Growth Board. These will include those potential interventions raised in discussions with local authority officers, including exploring opportunities to follow-up on schemes that have previously demonstrated value to the region.
All the companies on the pipeline have a focus on significant growth through innovation as both indigenous and inward investment projects.

1.2   In some cases, the LEP Chair had challenged businesses to bring forward their growth plans for consideration within a pipeline for future funding much earlier than the business was planning.
Projects are in different stages of development with some moving towards Full Business Case at pace and expected to seek approval by the Business Recovery and Growth Board (BRGB) and Mayoral Combined Authority (MCA).

1.3   This initial set of business pipeline proposals has identified 40 business opportunities, mixed across indigenous growth and inward investment and covering all 4 local authority areas.

1.4   The current project portfolio that is being developed and potentially could be brought to the Board by the end of this financial year includes 8 projects with a total value of £40m. However, it must be noted that a number of variables make this a fluid estimate of demand and it is to be expected that the timetable for projects coming forward for approval may change.

1.5   A challenge was set by the BRGB to establish a criteria for entry to the pipeline to address the main concerns expressed by the Board:
1. Transparency of the process for businesses coming onto the pipeline

2. Having an agreed scope that would allow the Board to make informed decisions when projects were brought for funding approval and
3. Managing expectations and reputation of the MCA and LEP.

2. Key Issues

2.1 An informal BRGB meeting was held to discuss an initial approach to criteria that had been developed by the team.
The approach to establishing criteria has since been discussed internally within the MCA along with the queries and reputational risks that the Board have raised in previous discussions.
Further input on the criteria and process has been secured from Local Authority officers.

2.2 The selection criteria outlined at the previous informal BRGB meeting has been updated to reflect the comments of the Board and MCA and Local Authority Officers and is provided below:

1. Have a 'significant presence' in South Yorkshire already in the case of indigenous
   businesses, or be prepared to commit to this for inward investment.

4. Have (or commit to creating) a presence and operating from commercial premises in the region.

5. Be viable, with the Client business demonstrating previous growth or potential to grow; (Innovation is referenced throughout the SEP but it must be recognised as the mechanism for driving growth and productivity and therefore growth and productivity metrics to be used to assess this criteria).

6. Be able to demonstrate that the business would not proceed with this project in South Yorkshire or would only do so at a lot slower pace or smaller scale without the support.

7. Be able to demonstrate a clear case for funding.

8. Evidence that the business can access or raise sufficient funds to meet the required
   Intervention rate.

9. Be a project that will create economic and social impact for the region and be prepared to sign up to a social outcomes contract.

10. Be able to demonstrate GVA growth

2.3 The following table demonstrates how the criteria would be applied in different scenarios and where the lead support for the project will be provided:

Criteria	Company A Indigenous High growth business	Company B Indigenous spin out	Company C Indigenous company	Company D New investor

Key sector from the SEP for support	√	√	N	√
Presence in SCR	√	√	√	N
More than 6 employees	√	N	√	√/N
Profitable	√	*N*	√	√
Project fit with SEP – improve productivity, increase in higher value jobs, increase in wage levels, contribute to net carbon zero, GVA uplift	√	√	N	√
Size of project £m must be £2m+	√	√	√	√
Funding ask of MCA £ minimum £500k	√	√	√	√
12 + Jobs to be created	√	√	N	√
Has the company the balance of funding required or can funds be raised in a timely manner.	√	N	√	√
Score = max 10 y	9	6	6	8
Action: who leads the project	Agree with MCA project is a candidate for potential funding	Local Authority	Local Authority	MCA

2.4   Following on from this there is a requirement to further develop metrics in relation to the criteria that asses if a project will create economic and social impact for the region and this will need to be developed in relation to the Authority's emerging Inclusion Policy.

2.5   Additionally, there will need to be agreed processes established between the MCA Executive Team and Local Authority teams for referring growth projects into the SYMCA. Work has commenced on developing this process and an initial approach is attached at appendix 1 for reference.

2.6   In recognition of a more formal process to engaging with businesses within this scope of work it is proposed that the title 'Business Pipeline' is changed to a working title of "Gainshare Business Assistance Criteria".

2.7   There is not an identified budget for this programme of activity at this stage. It is proposed that funds will be made available as required by an approved project and it is accepted that this may impact on the details of the funding agreement with the business, in terms of drawdown.

3. Options Considered and Recommended Proposal

3.1 **Option 1**
Agree the core criteria outlined in this paper and develop further metrics in line with other emerging MCA policy to refine the model, continuing to engage with Local Authority partners to develop and adopt a process for referring in-scope clients in the SYMCA.

3.4 **Option 1 Risks and Mitigations**
Further delay in establishing criteria increases concerns about transparency of the programme, this approach allows a core understanding to be agreed with an opportunity to refine detailed measures to match emerging policy.
This is a key programme for the region and it is essential that partners are on board in the development and implementation of the new policy for it to be successful.

3.5 **Option 2**
Develop a broader scope which includes growth at a range of scales, inward investment and retention projects.

3.8 **Option 2 Risks and Mitigations**
The approaches to different levels and types of business support are very different and must be matched to the target audience and the outcome the Authority wishes to achieve.
This option would not allow a transparent solution to be developed at pace with the potential programme of projects.

3.9 **Option 3**
Continue the current model of operation.

3.12 **Option 3 Risks and Mitigations**
The risks of this option are a continued lack of transparency and the potential damage to the reputation of the organisation on how projects are identified and supported.

3.13 **Recommended Option**
Option 1

4. Consultation on Proposal

4.1 Local Authority partners have been consulted on this area of work and continue to provide support to the development of the criteria and implementation.

5. Timetable and Accountability for Implementing this Decision:

5.1 Within 2021/2022 financial year

6. Financial and Procurement Implications and Advice

6.1   There are no direct financial implications from this report but the principles established will shape how funding is allocated in the future

7.   Legal Implications and Advice

7.1   Any funding provided will need to show they are UK Subsidy Control compliant. Any funding offered will be the subject of appropriate contractual and security documentation

8.   Human Resources Implications and Advice

8.1   No implications have been identified at this time

9.   Equality and Diversity Implications and Advice

9.1   No implications have been identified at this time

10.   Climate Change Implications and Advice

10.1   No implications have been identified at this time

11.   Information and Communication Technology Implications and Advice

11.1   No implications have been identified at this time

12.   Communications and Marketing Implications and Advice.

12.1   Working closely with the marketing team so that effective marketing and communications levers the business cases, development and scope into the content engagement programme placing South Yorkshire prominently and positioning our narrative behind Stronger Greener Fairer. In support of the SEP vision: **We will grow an economy that works for everyone.**

12.2   We will develop inclusive and sustainable approaches that build on our innovation strengths and embrace the UK's 4th Industrial Revolution to contribute more to UK prosperity and enhance quality of life for all.

List of Appendices Included

1   Targeting Business Clients
2   Selection Criteria Form

Background Papers:
None

To deliver the Strategic economic plan for the region by:

- Establishing growth in new expansive "industrial growth areas" or clusters *(See definition)*
- Create more, and a greater proportion high value jobs.
- Establish existing SME growth as part of a new sustainable economic supply & value chains.

Target

To prioritise requests in an open honest and fair manner according to three basic principles laid out to meet the needs of the Strategic Economic plan

- **Proactively Target** "Transformational Growth companies" *(see definition)* in specific "technology areas"
- **Reactively support** established companies (indigenous SMEs) with ambitious growth plans/projects
- **On request Support**, via special projects, large existing employers with expansive growth ventures and" diversification" *(see definition)* agendas'

Method of Selection

A. TRANSFORMATIONAL CUSTOMERS - Proactively target Transformational companies using criteria defined in the characteristics of transformational companies and within in the target industrial clusters via referral or database searches
B. INDIGEONOUS SMEs - liase with Local authorities to define which applicants could be potential regional growth companies and which should be handled locally by partner organisations.
C. LARGE OEM & DIVERSIFICATION - Reactively support, with local authority assistance, LEP to arrange wider discussion with company board with a view to develop larger project Plans.

Entry Eligibility Criteria

To be eligible to make an application, a prospective client must:

- **Have "significant presence" and registered office in South Yorkshire already** (Barnsley, Doncaster, Rotherham, or Sheffield Local Authority areas),

- **Have a presence and operating from commercial premises in the region**; which can be very small as a proportion of the group or company in question, but where, with a possibility that a growth project will create or bring an additional investment/function into the region.

- **Be viable, with the Client demonstrating previous growth or potential to grow within the timeframe of a possible funding situation**. This need proven associated market dynamics as evidence – Market mix, industry segmentation trends and Product Mix developments etc

- **Be able to demonstrate that the Client project would <u>not</u> go ahead with this project in South Yorkshire**, either as quickly or at the same scale without support.

- **Be able to demonstrate** a clear case for funding and that the client can evidence that they have **exhausted the traditional funding markets.**

- **Be able to demonstrate the value of the project** to the longer term aims of the Strategic economic plan and longer-term financial outcomes of the region.

- **Be able to demonstrate that the project will contribute to the** region in key areas such as high calibre job creation, R&D, or green/net zero agendas or as part of a value chain in developing business clusters such as digital.

- **The Client would need to evidence that they can access or raise the lion's share of the required capital themselves**. South Yorkshire funds are designed to fill the gap between the resources an applicant raises and the total costs of the project. It will not fund the total costs of the project (usually 80/20 rule is applied as a rough rule of thumb - 20 % being the MAX that South Yorkshire would generally invest although this could rise in % in the outcome of a loan situation), and they would need evidence of the other funding prior to approval

- **Any award is typically phased in line with an 'intervention rate'** (the percentage of which South Yorkshire comprises the total project costs). In some cases, funding draw down may be linked to verified job creation

- **Be a project that will create net new jobs in the region and not displace existing ones**. Guidance as to number of new FTEs (full time employees) will be created versus the investment the MCA. Average salary ranges for the region will be sorted to ensure the realistic potential of the claim (I.e. Ave salary in SY is 26K. therefore, in investment 22K per job is reasonable.) it is deemed and may be reasonable to ask the split of jobs created blue versus white collar, staff versus executive level. It is also reasonable to calendarize the number of additional FTEs over the course of the project segmented into categories of salary and skill/qualification levels.

- **Be planning expenditure, broadly in line with the following**.

  - **Capital equipment**, machinery, or tools.

  - **Research and development activities** beyond the proof of concept.

  - **Alterations to land and/or premises** to meet the needs of the business project that would otherwise stop the exercise

- **Expenditure must be defrayed (paid for) not committed by financial year end** for any part of the agreed grant according to the financial contract

- **Guidance is always sort, to ensure the clients proposed application for funding complies** with Subsidy Control Regulations and any other legal implications such as similar applications to state funds for similar projects.

Process still to be agreed

Section one.

Analysis and information gathered against specific criteria at initial meetings while potential client fills out "Expression of interest." Answers in section one will give us a clear match to target type and potential

Business Criteria Recorded on ==balanced scorecard green section== underdevelopment (see appendix)

Outcome: present to LEP for pipeline approval

- HIGH LEVEL BUSINESS INFORMATION – needs to be established with all contacts to establish financial and commercial credibility
- THE REQUEST – clear understanding and motive for the request and how that fits with the SEP and current regional agenda needs to be established
- CLASSIFICATION - clear understanding of where this business fits in our model and outlining if possible, cluster contribution. Classification of a transformational business according to characteristics outlined in definition section

Section Two.

Review and Prioritisation: further information gathering around the purpose and balanced around total requests in the system.

Business Criteria Recorded on balanced ==scorecard blue section== underdevelopment (see appendix)

Outcome: Strategic Business case to Appraisal

- MOTIVATION & PURPOSE – clear understanding of outline of potential project by which to underline which is the best route for the request.
- DETAIL the ASK – clear definition of ask, balanced with contribution to the region objectives and SEP

Section Three.

Award and measure: monitoring progress of the Business plan through MCA/BGRB approval and though to funding process against the objectives agreed in the Plan.

Business Criteria Recorded on balanced <mark>scorecard yellow section</mark> underdevelopment (see appendix)

Outcome: Strategic Business fund award and measure/monitor of award

- MONITOR &MEASURE – clear timed progress and compliance to objectives

Business Criteria

- All high-level criteria outlined on the underdevelopment balanced scorecard (see appendix 1)
- Criteria can be aligned to specific client or industry type or cluster development
- Measurement and reporting can be carried out in standard dashboard style or bespoke reports

Definitions:

1. Transformational Business definition

A transformational business is one that accelerates development in localised social and economic systems via the innovative development of new technology, systems, and ways of working, opening new market opportunities. This can be a fledgling company starting up or existing company reinventing itself to take advantage of new market opportunities or methods of working.

2. Transformational Business characteristics for prospecting

Transformational Business Characteristics:

1. TEMPO – Speed & how they make decisions
2. INNOVATION – High level creativity in mindset, behaviour, and attitude/social values
3. COLLABORATION – How they engage with and attitude to others in the market environment
4. DIRECTION – Agility in how and what they measure.
5. FLEXIBILITY – How they work and dynamically adapt (little, no or shared infrastructure).

Transformational Offer characteristics:

1. Taylor made or personalisation of offer
2. Sustainability agenda
3. Only pay for usage of a service
4. Using data to dynamically improve and adapt
5. Dynamic monitoring of new and existing market supply chain
6. Shared joint assets and alliances
7. Value for the consumer is the main offer and not the product

Transformational Leadership characteristics

- Idealised influencers – inspire via behaving as a role model
- Inspirational Motivators – motivate and inspire
- Intellectual Stimulators – stimulate, innovate & create
- Individual Consideration – Empathetic coach and mentor

3. Cluster definition

United Nations Industrial Development Organization (UNIDO) defines industrial. cluster as: "Cluster can be defined as concentration of micro, small and medium. enterprises in any like geographical location producing same or a similar type of products or services and these enterprises face similar type of opportunities.

Examples include Detroit's auto industry concentration of OEM and T1 and 2 subcontractors Likewise computer chip production in California's Silicon Valley, London's financial sector.

Clusters serve as a driving force in most regional economies as it links together future Business, Export, education, training, science& technology Development (Uni) market information /disclosure Infrastructure (specialised and physical) in singular commercial offering.

e.g. Cluster theory states that concentrating industries in specific regions creates several advantages. For one, in newer technologies greater economic activity occurs when many firms cluster in one area creating IP exchange, FTE development, sharing of cost infrastructure and supply chain consolidation, so to focus more expenditure on R&D and speed of Commercialisation/Industrialisation.

4. <u>Potential Cluster areas of interest</u> – *specific technology in each cluster not yet defined*

Digital

Green Energy

Nuclear Technologies

High Tech Engineering / Materials Technology

Health & Wellbeing Sciences

Each Cluster can be broken down into sub cluster and technology arenas as part of a segmentation strategy and the existing prospects can be aligned into each cluster group as a means of targeting and setting up value chains e.g.

Digital

A. Education technology

-Training

-Schooling

-Online learning and reference

B. Creative digital

-Games

-Media

-Marketing

-Web development services and design

C. Mobility digital

-Telemetry

-Social science

-Transport/logistics Movement

-Health and Wellbeing

-Robotics

D. Industrial technology

-Condition Monitoring

-Measurement (quality assurance)

-Automation

-Productivity

5. <u>Diversification definition</u>

Diversification is a "risk management-based" growth strategy rather than a developmental model. Diversification is when a larger company in parallel or in addition to existing business models seek to widen the offer in new arenas while not affecting the traditional business. Often takes the form of an acquisition but often it is service based or

developmental (R&D) based on traditional product to break into a wider appeal of the market they traditionally serve.

The rationale behind diversification is that a portfolio will maximise the use of fixed cost assets, but on average, yield higher long-term returns and lower the short-term risk of an ageing portfolio

Prospect Client Gateway Investmet Form
Business Development & Inward Investment

Sheffield City Region

Client Name:		Assesment by:	DATE

Client Origin | ### Client Information

Origination — drop down lists incl. Primary Manu or conract manufac.
- Indigenous or Inward
- Referral or prospect
- Source

•Local Authority — drop down lists
- Where does it fall

•Infrastructure — Current & required
- Geography
- Links
- Housing etc.

•Nature of the request — drop down lists
- Funding
  - •Grant
- Support
  - •Education
  - •Training

•Current address — Postcode search - Google maps
- Inc HQ address
  - •Region/UK/EU etc

Contacts — Name/Job/Tel/Email
- Named contacts
- Roles/responsibility
- Details e.g. phone

•Date Stamps — CRM Calendar stamp
- First contact
  - •Date/Time
    - •Who took the enquiry

•Information route — drop down lists
- •Access to further information sources.

Basic Information — drop down lists
- •Size £
- •Start Up
- •Scale Up

•Human Capital — drop down lists
- •FTE No/ Projected/Mix
- •R&D IP Dev
- •R&D Acquisition IP
- •Develop Resource /Skills

•Working Capital — drop down lists
- •Cash Flow
- •Stock
- •Receivables

•Capital Equipment — drop down lists
- •Bespoke Equipment
- •Std. Equipment

•Facility — drop down lists
- •Equity and Estates Property & Footprint
- •Additional infrastructure
- •Capex required

Initial contact note	Date:

- 🟢 take forward to ream selection
- 🟡 more information required/ timing issues follow up
- 🟠 non starter - and rationale

Industry Segmentation/cluster *

Segment	drop down lists	Value Chain	drop down lists
Sub Segment	drop down lists	Supply chain	drop down lists
Other	Free field		

Client Case Review *(to be carried out by a team once section 1 is complete)*

Purpose or motivation of the request?
- •Is it a backfoot action driven by low profit or declining turnovers?
- •Is it defensive as market share is eroded by cheaper more agile competitors?
- •Is it an infrastructure (fixed costs) too heavy for the market value of the product, and the latest technology offerings?
- •Is it a channel management or logistics issue?
- •Is it a true honest ambition to reinvent the business for the future or just add to it?

Comments

Review of the Business Need
- •Is the business long term sustainable in current model/form?
- •What is there own investment strategy, business plan, if any?
- •What are the targets for growth and profit levels.?
- Is it in line with SEP objectives?

Comments

Team Decision & Rationale

Comment

Green = proceed to add to Pipe Priority List and begin Project brief — 🟢 APPROVAL DATE

Orange = FOLLOW UP more info needed, or not yet as its not high Priority - Need time to revisit when more funds available — 🟡 FOLLOW UP DATE & Resp

Red = Not really our project - no project (could be to pass onto to someone else — 🟠 REJECT/PASS DATE

Name of reviewers		PRIORITY LIST	1 2 3 LOC S - R - B - D
Date of review		Pipeline approved	

Project Framework: | resp. | team

•Business Advice

•Education
- Training or skills bank
- Adult Education
- Apprentice program

•Property sourcing
- •Strategic Anchor tenant or technology

•Financial
- •Grant
- Loan

•Project Brief

•Assigned Client Lead from SCR
Other Team members
Other Team members

•Informed | Date | Team resp
- •Council
- •Growth Board
- MCA

Key Dates: | Date | Team resp
- Project Brief
- Strategic Business case
- Business Case
- Assurance

Next Actions: | Date | Team member resp

1

2

INDUSTRY	TECHNOLOGY	VALUE DEVELOPMENT
High End Engineering	Aerospace	Frame
		Engine
	Machining	Exotics
		Semi finished components
	Materials Technology	Additive
		Composites
	Castings Technology	Titanium
	Ordinance	MOD Infrastructure
		Atomic/Nuclear
Sustainability	Recycling	
	Sustainable Transport	
	Green Technologies	Sustainable
		Infrastructure

INDUSTRY	TECHNOLOGY	VALUE DEVELOPMENT
Health	Medical Sciences	Equipment
		Geno Science Development
	Child Health Devlopment	
	Wellbeing	
Digital	Industrialisation	Industry 4.0 tech
	Software Development	
	Digital Infrastructure development	
Energy	Hydrogen fuel	
	Battery Technology	
	Nuclear	Fusion Technology
		Nuclear infrastructure